

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION INTO OR WITHIN THE UNITED STATES OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

**Important: You must read the following before continuing.** The following applies to the Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of the Representation:** The Offering Circular is being sent at your request and by accepting the electronic mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are outside the United States. In addition, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers (as defined in the Offering Circular) or any person who controls any Dealer or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are a person who meets the Eligibility Requirements (as defined in the Offering Circular) and that you are not a Restricted Overseas Person (as defined in the Offering Circular).

In accordance with applicable provisions of Indian regulations, only persons who are in compliance with the Eligibility Requirements are entitled to purchase any Notes (and if an investor purchases the Notes, it shall be deemed to have acknowledged, represented and agreed that it meets such requirements). Persons who meet the Eligibility Requirements are persons who are: (A) (i) residents of a country which is a FATF Compliant Country (as defined in the Offering Circular) or an IOSCO Compliant Country (as defined in the Offering Circular); or (ii) multilateral or regional financial institutions where India is a member country; or (iii) individuals who are foreign equity holders or subscribe to debentures or bonds listed outside India that satisfy the conditions under the ECB Guidelines (as defined in the Offering Circular); or (iv) foreign branches or subsidiaries of Indian banks (except that: (a) such foreign branches or subsidiaries of Indian banks can only subscribe to the Notes denominated in a freely convertible currency other than the Indian Rupee and (b) Rupee denominated Notes can only be subscribed by such foreign branches or subsidiaries of Indian banks in their capacity as underwriters or arrangers or market makers or traders, subject to compliance with applicable prudential norms); and (B) in compliance with other requirements specified by the Reserve Bank of India from time to time in relation to external commercial borrowings by Indian entities and are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

Additionally, Notes should have a minimum average maturity period of three years under the ECB Guidelines except where the proceeds of Notes shall be used for on-lending for working capital purposes, general corporate purposes and repayment of Rupee loans availed domestically for purposes other than capital expenditure in which case the minimum average maturity period shall be ten years and seven years where the proceeds of Notes shall be used for repayment of Rupee loans availed domestically for capital expenditure. The proceeds of issuance of Notes will not be used for: (A) real estate activities; (B) investing in the capital markets; (C) equity investments; or (D) on-lending to entities for the aforesaid activities. Finally, the principal amount of any Notes to be issued under the Programme (as defined in the Offering Circular) together with any other external commercial borrowings raised by the Issuer pursuant to the ECB Guidelines shall not exceed an amount equal to U.S.\$750 million during the financial year ended 31 March 2022.

## OFFERING CIRCULAR



# HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

(incorporated in the Republic of India under the Companies Act, 1956 with CIN L70100MH1977PLC019916)

**U.S.\$2,800,000,000**

## Medium Term Note Programme

Under this U.S.\$2,800,000,000 Medium Term Note Programme (the **Programme**), Housing Development Finance Corporation Limited (the **Issuer** or the **Company**) may, from time to time, issue notes (the **Notes**) denominated in INR or any other currency agreed between the Issuer and the relevant Dealer (as defined below) and as permitted by applicable Indian law.

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,800,000,000 (or its equivalent in other currencies calculated as described herein), subject to any increases as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a **Dealer** and together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “*Risk Factors*”.

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange’s International Securities Market (**ISM**). The ISM is not a regulated market situated or operating within the United Kingdom for the purposes of Regulation (EU) 2017/1129 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the **EUWA**) (the **UK Prospectus Regulation**).

**The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Financial Conduct Authority (FCA). The London Stock Exchange has not approved or verified the contents of this Offering Circular.**

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Notes to be listed on the London Stock Exchange will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**).

Each Tranche of Bearer Notes of each series (as defined in “*Documents Incorporated by Reference*”) will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note** as indicated in the applicable pricing supplement document (the **Pricing Supplement**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

Registered Notes sold in an “offshore transaction” within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (the **U.S.**) and, in certain circumstances, only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons (a **Registered Global Note**), deposited with a common depository for Euroclear and Clearstream, and registered in the name of a nominee of such common depository. Prior to expiry of the distribution compliance period (as defined in Regulation S) (the **Distribution Compliance Period**) (if any) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person, save as otherwise provided in the Terms and Conditions of the Notes and may not be held otherwise than through Euroclear or Clearstream.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

For Indian regulatory purposes, Rupee denominated Notes issued under this Programme constitute “Rupee denominated bonds” under the terms of the RBI Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations, FED Master Direction No. 5/2018-19 dated 26 March 2019, as amended from time to time.

**If you purchase any of Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase Notes under applicable laws and regulations and that you are in compliance of the FATF Requirements (as defined in this Offering Circular) and you are not an overseas branch or subsidiary of an Indian bank or otherwise prohibited under any applicable law or regulation from acquiring, owning or selling Notes. Notes may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.**

This Offering Circular has not been and will not be registered or filed as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, 2013, as amended, supplemented or re-enacted from time to time, the rules framed thereunder and other applicable Indian laws for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies, the Reserve Bank of India or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See “*Subscription and Sale*”.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or, in certain circumstances, to U.S. persons. See “*Subscription and Sale*”.

### Arrangers and Dealers

**HSBC**

**Nomura**

**Standard Chartered Bank**

The date of this Offering Circular is 28 July 2021.

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Further, having made all reasonable enquiries, the Issuer confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

Copies of Pricing Supplement will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that those documents are incorporated and form part of this Offering Circular.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents (as defined in the "*Terms and Conditions of the Notes*").

Neither the Arrangers, the Dealers, the Trustee nor the Agents has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by any of the Arrangers or the Dealers, the Trustee or the Agents or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer or the Programme or any other information provided by the Issuer in connection with the Programme. The Arrangers, the Dealers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers, the Trustee or the Agents expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers, the Dealers, the Trustee and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Arrangers, the Dealers, the Trustee or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), United Kingdom, India, Singapore, Japan and Hong Kong, see “*Subscription and Sale*”.

None of the Issuer, the Arrangers, the Dealers, the Trustee and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (FSMA) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See “*Subscription and Sale*”.

In connection with the offering of any series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

In accordance with applicable provisions of Indian regulations, only persons who are in compliance with the Eligibility Requirements are entitled to purchase any Notes (and if an investor purchases the Notes, it shall be deemed to have acknowledged, represented and agreed that it meets such requirements). Persons who meet the Eligibility Requirements are persons who are: (A) (i) residents of a country which is a FATF Compliant Country (as defined in this Offering Circular) or an IOSCO Compliant Country (as defined in this Offering Circular); or (ii) multilateral or regional financial institutions where India is a member country; or (iii) individuals who are foreign equity holders or subscribe to debentures or bonds listed outside India that satisfy the conditions under the ECB Guidelines (as defined in this Offering Circular); or (iv) foreign branches or subsidiaries of Indian banks (except that: (a) such foreign branches or subsidiaries of Indian banks can only subscribe to the Notes denominated in a freely convertible currency other than the Indian Rupee and (b) Rupee denominated Notes can only be subscribed by such foreign

branches or subsidiaries of Indian banks in their capacity as underwriters or arrangers or market makers or traders, subject to compliance with applicable prudential norms); and (B) in compliance with other requirements specified by the Reserve Bank of India from time to time in relation to external commercial borrowings by Indian entities and are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

By purchasing Notes, each investor shall be deemed to have acknowledged, represented and agreed that such investor is eligible to purchase Notes under applicable laws and regulations and is in compliance of the Eligibility Requirements (as defined in this Offering Circular) and is not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Notes and that so long as it holds any Notes, it will continue to be in compliance with the Eligibility Requirements. Potential investors should seek independent advice and verify compliance with the requirements under the ECB Guidelines (as defined in this Offering Circular) prior to any purchase of Notes.

The Notes are freely transferable, subject to the restrictions described under “*Subscription and Sale*”. For a description of certain restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”.

**MiFID II product governance/target market** — The relevant Pricing Supplement in respect of any series of Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, MiFID II) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under European Union (EU) Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market** — The relevant Pricing Supplement in respect of any series of Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the SFA)** — Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined that all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**PRIIPs/IMPORTANT — EEA RETAIL INVESTORS —** If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or (ii) a customer within the meaning of Directive 2016/97/EC (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the EU PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**UK PRIIPs/IMPORTANT —UK RETAIL INVESTORS —** If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (FSMA) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the UK PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**BENCHMARKS REGULATION —** Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate (EURIBOR), or the London Interbank Offered Rate (LIBOR) which are provided by the European Money Markets Institute (EMMI), and the ICE Benchmark Administration Limited (ICE) respectively. As at the date of this Offering Circular, EMMI appears in the European Securities and Markets Authority (ESMA)’s register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the EU Benchmarks Regulation). ICE appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the UK Benchmarks Regulation).

## SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information presented in this Offering Circular relating to the Issuer has been derived from (i) the audited standalone financial statements of the Issuer as at and for the financial year ended 31 March 2021 and (ii) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 March 2021 (together, the **2021 Financial Statements**). The audited standalone financial statements of the Issuer as at and for the financial year ended 31 March 2020 and the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 March 2020 are also incorporated by reference herein (together, the **2020 Financial Statements** and, together with the 2021 Financial Statements, the **Financial Statements**).

The Issuer's financial year ends on 31 March, and references in this Offering Circular to any specific fiscal year, or fiscal or financial year are to the 12 month period ended on 31 March of such year. The Issuer publishes its financial statements in Indian Rupees, in crores.



The Financial Statements have been prepared in accordance with Ind AS. Ind AS differs in certain important respects from International Financial Reporting Standards. For a discussion of the principal differences between IFRS and Ind AS they relate to the Issuer, see “*Summary of Significant Differences Between IFRS and Ind AS*”. Further transition adjustments may be required to these financial results including those arising from new or revised standards or interpretations issued by the Ministry of Corporate Affairs and National Housing Bank, as applicable to companies in India.

In this Offering Circular, financial data denoted by "\*" indicates that the relevant financial data as at 31 March 2020 has been regrouped in the 2021 Financial Statements and have been extracted from the 2021 Financial Statements to make them comparable with the 31 March 2021 financial data.

The Issuer’s audited standalone financial statements as at and for the years ended 31 March 2020 and 2021 report the financial statements and results of operations relating to the principal business segments of the Issuer, comprising the Issuer’s mortgage lending business which includes the main business of providing loans for the purchase, construction, development and repair of houses, apartments and commercial property in India. The Issuer’s audited consolidated financial statements as at and for the years ended 31 March 2020 and 2021 report the financial statements and results of operations relating to the Group.

The Issuer’s Financial Statements were audited by B S R & Co. LLP. The Financial Statements of the Issuer are incorporated by reference in, and form a part of, this Offering Circular. See the section entitled “*Documents Incorporated by Reference*”.

In this Offering Circular, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Furthermore, the USD conversions in this Offering Circular have been made using the latest USD exchange rate as of the last working date of that relevant month for which such data have been presented in this Offering Circular.

The degree to which the financial information prepared in accordance with Ind AS, included in this Offering Circular will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Ind AS and the Companies Act. Any reliance by persons not familiar with Indian accounting practices, Ind AS and the Companies Act on the financial disclosures presented in this Offering Circular should accordingly be limited.

## CERTAIN DEFINITIONS

In this Offering Circular, references to India are to the Republic of India, references to the Government or GoI or the Central Government or the State Government are to the Government of India, central or state, as applicable, and references to the RBI are to the Reserve Bank of India. All references herein to the “US” or “U.S.” or the “United States” are to the United States of America and its territories and possessions. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. The “*Glossary of terms used in this Offering Circular*” section provides a glossary of certain technical terms used in this Offering Circular as well as an index of certain defined terms used in this Offering Circular.

Unless the context otherwise requires, all references in this document to the **Group** refer to the Issuer’s and its Subsidiaries’ combined business, comprising five segments; housing, life insurance, general insurance, asset management and other services.

All references in this Offering Circular to **USD, U.S. dollars** and **U.S.\$** are to the legal currency of the United States of America and to **INR, Indian Rupees, Rupees, Rs.** are to the legal currency of India. In addition, references to **£** and **Sterling** are to pounds sterling.

References to lakhs and crores in the Issuer’s financial statements are to the following:

<b>One lakh .....</b>	<b>100,000 (one hundred thousand)</b>
<b>One crore.....</b>	<b>10,000,000 (ten million)</b>
<b>Ten crores.....</b>	<b>100,000,000 (one hundred million)</b>
<b>One hundred crores .....</b>	<b>1,000,000,000 (one thousand million or one billion)</b>

Except as otherwise set out in this Offering Circular, all figures set out in this Offering Circular have been rounded off to the extent of two decimal places and all figures, in percentage terms, have been rounded off to the extent of one decimal place.

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Offering Circular that are not statements of historical fact constitute ‘forward-looking statements’. Investors can generally identify forward-looking statements by terminology such as ‘aim’, ‘anticipate’, ‘believe’, ‘continue’, ‘can’, ‘could’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘objective’, ‘plan’, ‘potential’, ‘project’, ‘pursue’, ‘shall’, ‘should’, ‘will’, ‘would’, or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Issuer are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding the Issuer’s expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Issuer’s business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Offering Circular that are not historical facts. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about the Issuer that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of the Issuer to be materially different from any of the forward-looking statements include, among others:

- an inability to compete effectively with increased competition in the housing finance industry;
- the impact of Covid-19;
- a downgrade in the Issuer’s credit ratings;
- increase in the level of non-performing assets (NPAs) in the Issuer’s portfolio;
- the Issuer’s inability to manage growth;
- dilution or divestment of investment in and control of Subsidiaries and Associates;
- a decline in the Issuer’s capital adequacy ratio;
- significant changes in the Government’s economic liberalisation and deregulation policies;
- changes in foreign exchange rates and controls, interest rates; and
- a decline in India’s foreign exchange reserves.

Additional factors that could cause actual results, performance or achievements of the Issuer to differ materially include, but are not limited to, those discussed under the sections titled “*Risk Factors*”, “*Industry Overview*” and “*Description of the Issuer and the Group*” of this Offering Circular.

The forward-looking statements contained in this Offering Circular are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of the Issuer. Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Offering Circular or the respective dates indicated in this Offering Circular, and neither the Issuer, the Trustee nor any Agent undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of the Issuer’s underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Issuer could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Issuer are expressly qualified in their entirety by reference to these cautionary statements.

### **INDUSTRY AND MARKET DATA**

Information included in this Offering Circular regarding market position, growth rates and other industry data pertaining to the businesses of the Issuer consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which the Group operates. Unless stated otherwise, statistical information included in this Offering Circular pertaining to the various sectors in which the Group operates has been reproduced from trade, industry and government publications and websites. The Issuer confirms that such information and data has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so the Issuer has relied on internally developed estimates.

The Issuer has not independently verified this data, nor does the Issuer make any representation regarding the accuracy of such data. Similarly, while the Issuer believes that its internal estimates are reasonable, such estimates have not been verified by any independent sources and the Issuer cannot assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Offering Circular is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

### **ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a limited liability company that has been incorporated under the laws of India. Substantially all of the directors and executive officers of the Issuer and certain experts named herein reside in India, and all or a substantial portion of the assets of the Issuer and the assets of such directors and executive officers and certain experts are located in India. As a result, it may be difficult for investors to effect service of process upon the Issuer or such directors and executive officers outside India or to enforce judgments against them obtained in courts outside India predicated upon civil liabilities of the Issuer or such directors and executive officers under laws other than Indian law.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The Issuer understands that in India the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure 1908 (the **Civil Code**), which provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon between the same parties or between parties under which they or any of them claim litigating under the same title except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the same nature of amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties. The United Kingdom, Singapore, Hong Kong and the United Arab Emirates have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. Since the United Kingdom has been declared by the government of India as a reciprocating territory and the High Courts in England as the relevant superior courts, a judgment of a superior court in the United Kingdom may be enforced by proceedings in execution and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. Similarly, the Federal court and the local courts in the United Arab Emirates have been declared as the relevant superior courts, and a judgment of a superior court in the United Arab Emirates may be enforced by proceedings in execution and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate outside India any amount recovered pursuant to such judgment and any such amount may be subject to income tax in accordance with applicable laws.

## GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms used in this Offering Circular.

### Issuer related terms

2021 Financial Statements.....	The audited standalone financial statements of the Issuer as at and for the financial years ended 31 March 2021; and (ii) the audited consolidated financial statements of the Issuer as at and for the financial years ended 31 March 2021.
Articles of Association .....	Articles of association of the Issuer, as amended from time to time.
Associate(s) .....	The associates of the Issuer within the meaning of Section 2(6) of the Companies Act, 2013, as of 30 June 2021 being HDFC Bank Limited, True North Ventures Private Limited HDFC Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited.
Auditors .....	Statutory auditors of the Issuer, namely B S R & Co. LLP, Chartered Accountants.
Board/Board of Directors .....	The board of directors of the Issuer or any duly constituted committee thereof.
Director(s) .....	The directors of the Issuer, unless otherwise specified.
Equity Share(s).....	The equity shares of the Issuer having a face value of Rs. 2 each.
Financial Statements.....	(i) the audited standalone financial statements of the Issuer as at and for the financial years ended 31 March 2021; (ii) the audited consolidated financial statements of the Issuer as at and for the financial years ended 31 March 2021; (iii) the audited standalone financial statements of the Issuer as at and for the financial years ended 31 March 2020; and (iv) the audited consolidated financial statements of the Issuer as at and for the financial years ended 31 March 2020.
Group.....	The Issuer and its Subsidiaries on a consolidated basis.
Issuer/HDFC.....	Housing Development Finance Corporation Limited, a public limited company incorporated on 17 October 1977 under the Companies Act, 1956 and having its registered office at Ramon House, H. T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020.
Subsidiaries .....	The subsidiaries of the Issuer as defined under Section 2(87) of the Companies Act, 2013, as of 30 June 2021:

- HDFC Investments Ltd.
- HDFC Holdings Ltd.
- HDFC Asset Management Company Ltd.
- HDFC Trustee Company Ltd.
- HDFC Sales Pvt. Ltd.
- HDFC Venture Capital Ltd.
- HDFC Ventures Trustee Company Ltd.
- HDFC Property Ventures Ltd.
- Griha Investments, Mauritius
- HDFC Credila Financial Services Ltd.
- HDFC Education and Development Services Pvt. Ltd.
- Griha Pte Ltd., Singapore
- HDFC Capital Advisors Ltd.

#### **Conventional and General Terms/Abbreviations**

AD Bank.....	Designated authorised dealer category I bank appointed in accordance with the ECB Guidelines.
AGM.....	Annual general meeting.
AS.....	Accounting Standards prescribed under the Companies Act.
Bankruptcy Code.....	Insolvency and Bankruptcy Code, 2016, as amended.
BSE.....	BSE Limited.
CAGR.....	Compounded annual growth rate calculated as 1/nth root of (Ending value divided by beginning value) less one, where n is the count of years being considered.
CCI.....	Competition Commission of India.
CEO.....	Chief executive officer.
CFO.....	Chief financial officer.
CIBIL.....	Credit Information Bureau (India) Limited.

CIN .....	Corporate identity number.
Companies Act .....	<i>Erstwhile</i> , Companies Act, 1956 and the rules thereunder and/or the Companies Act, 2013.
Companies Act, 1956 .....	<i>Erstwhile</i> , Companies Act, 1956, as the context requires.
Companies Act, 2013 .....	Companies Act, 2013 and the rules and clarifications thereunder, each as amended, to the extent notified.
Competition Act .....	Competition Act, 2002, as amended.
Consolidated FDI Policy .....	Consolidated Foreign Direct Investment Policy issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India through notification dated 15 October 2020, effective from 15 October 2020, as amended from time to time.
CRE .....	Commercial real estate.
CRISIL .....	CRISIL Limited.
Depositories Act .....	The Depositories Act, 1996, as amended.
Depository .....	A depository registered with SEBI under the <i>erstwhile</i> Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended or Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018, as amended, as applicable.
DRT .....	Debts Recovery Tribunal.
DRT Act .....	Recovery of Debts and Bankruptcy, Insolvency Resolution and Bankruptcy of Individuals and Partnership Firms Act, 1993.
DSIM .....	Department of Statistics and Information Management
ECB .....	External commercial borrowing.
ECB Guidelines .....	The Foreign Exchange Management Act, 1999, as amended or the rules and regulations issued thereunder, together with (a) the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and circulars or notifications issued thereunder by the RBI; (b) the ECB Master Direction; (c) the Master Direction on Reporting under Foreign Exchange Management Act, 1999, dated 1 January 2016; and (d) any other applicable regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings, as construed in accordance with the RBI, in each case, as amended, modified, replaced or substituted from time to time pursuant to any rules, regulations, notifications, circulars,

press notes or orders issued by the RBI or other Indian governmental agency in relation to external commercial borrowings.

ECB Master  
Directions.....

Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations, FED Master Direction No. 5/2018-19 dated 26 March 2019, issued by the RBI, as amended from time to time.

Eligibility  
Requirements.....

The requirements under the ECB Master Directions which prescribe that Notes can only be subscribed by persons who are: (A) (i) residents of a country which is a FATF Compliant Country or an IOSCO Compliant Country; or (ii) multilateral or regional financial institutions where India is a member country; or (iii) individuals who are foreign equity holders or subscribe to debentures or bonds listed outside India that satisfy the conditions under the ECB Master Directions; or (iv) foreign branches or subsidiaries of Indian banks (except that: (a) such foreign branches or subsidiaries of Indian banks can only subscribe to Notes denominated in a freely convertible currency other than the Indian Rupee and (b) Rupee denominated Notes can only be subscribed by such foreign branches or subsidiaries of Indian banks in their capacity as underwriters or arrangers or market makers or traders, subject to compliance with applicable prudential norms); and (B) in compliance with other requirements specified by the RBI from time to time in relation to ECBs by Indian entities and are not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling Notes.

FATF .....

Financial Action Task Force.

FATF Compliant Country .....

A country that is a member of FATF or a member of a FATF-style regional body, and should not be a country identified in the public statement of the FATF as: (a) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.

FBIL .....

Financial Benchmark India Private Ltd.

FDI .....

Foreign direct investment.

FEMA.....

The Foreign Exchange Management Act, 1999, as amended, and the regulations issued thereunder.



Financial year or FY or Fiscal .....	Period of 12 months ended 31 March of that particular year, unless otherwise stated.
FPI .....	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations or under the <i>erstwhile</i> Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014.
FSI .....	Floor space index.
GAAP .....	Generally accepted accounting principles.
GAAR.....	General Anti-Avoidance Rules.
GDP .....	Gross domestic product.
GoI/Government/ Central Government/ State Government .....	Government of India, unless otherwise specified.
HFCs.....	Housing finance companies.
HFC Directions 2021.....	Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by the Reserve Bank of India on 17 February 2021, as amended from time to time.
Ind AS .....	Indian accounting standards effective from 1 April 2018 as notified by MCA.
ICAI.....	The Institute of Chartered Accountants of India.
ICRA .....	ICRA Limited.
IFRS .....	International Financial Reporting Standards of the International Accounting Standards Board.
IOSCO.....	International Organisation of Securities Commission.
IOSCO Compliant Country .....	A country whose securities market regulator is a signatory to IOSCO’s Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements.
IT .....	Information technology.
IT Act .....	The Income Tax Act, 1961, as amended.
Master Circular.....	Master Circular on Housing Finance dated 1 July 2015 issued by the RBI.

MCA.....	The Ministry of Corporate Affairs, Government of India.
NBFCs.....	Non-banking financial companies.
NHB .....	National Housing Bank.
NRI.....	Non-resident Indian, being an individual resident outside India who is a citizen of India or is an ‘overseas citizen of India’ cardholder, within the meaning of section 7(A) of the Citizenship Act, 1955.
NSE .....	National Stock Exchange of India Limited.
PAN.....	Permanent account number.
PMLA.....	The Prevention of Money Laundering Act, 2002.
RBI.....	Reserve Bank of India.
Refinance Scheme .....	Refinance Scheme for Housing Finance Companies, 2003, as amended.
Restricted Jurisdiction .....	Any jurisdiction (a) in which an offer of Notes would constitute a violation of relevant laws or regulations; and (b) which does not satisfy the Eligibility Requirements.
Restricted Overseas Person .....	(a) A person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, any Restricted Jurisdiction, and includes a branch of an entity located in a Restricted Jurisdiction; or (b) an offshore branch or subsidiary of an Indian bank (for the purposes of an investment in Rupee Denominated Notes, except where such offshore branch or subsidiary of an Indian bank is acting in its capacity as an underwriter, an arranger, a market maker or a trader, subject to compliance with applicable prudential norms); or (c) a person otherwise prohibited under any applicable law or regulation from acquiring, owning or selling Notes.
Rs./Rupees/INR.....	Indian Rupees.
SEBI.....	Securities and Exchange Board of India.
SEBI Debt Regulations.....	The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended.
SEBI (ESOP) Regulations.....	The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended.
SEBI FPI Regulations.....	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended.

SEBI Listing Regulations .....	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
Stock Exchanges.....	BSE and NSE.
UK .....	United Kingdom.
USD/U.S. \$/U.S. dollar .....	United States Dollar, the legal currency of the United States of America.
USA/U.S./United States .....	The United States of America.
VCFs.....	Venture capital funds as defined in and registered with SEBI under the <i>erstwhile</i> Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996.
WDM.....	Wholesale debt market.

## **STABILISATION**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## CONTENTS

	Page
GENERAL DESCRIPTION OF THE PROGRAMME.....	1
OVERVIEW OF THE PROGRAMME .....	2
RISK FACTORS .....	8
DOCUMENTS INCORPORATED BY REFERENCE.....	45
FORM OF THE NOTES.....	46
APPLICABLE PRICING SUPPLEMENT .....	49
TERMS AND CONDITIONS OF THE NOTES .....	62
USE OF PROCEEDS .....	97
CAPITALISATION .....	98
SELECTED FINANCIAL INFORMATION.....	99
DESCRIPTION OF THE ISSUER AND THE GROUP .....	107
RISK MANAGEMENT .....	132
BOARD OF DIRECTORS AND SENIOR MANAGEMENT .....	134
PRINCIPAL SHAREHOLDERS .....	144
OVERVIEW OF HOUSING FINANCE INDUSTRY .....	146
KEY REGULATION AND POLICIES.....	153
TAXATION.....	170
SUBSCRIPTION AND SALE .....	175
SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND IND AS.....	184
GENERAL INFORMATION.....	196

## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

For the purpose of calculating the INR equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the INR equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the Issuer’s discretion, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Mumbai, in each case on the basis of the spot rate for the sale of the INR against the purchase of such Specified Currency in the Mumbai foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) in the case of certain Notes, the INR equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) in the case of certain Notes the INR equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India, and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law. In addition, each purchaser of Notes will be deemed to represent that it is in compliance of the Eligibility Requirements (as defined in this Offering Circular) and is not a Restricted Overseas Person (as defined in this Offering Circular) and is not otherwise prohibited under any applicable law or regulation from acquiring, owning or selling the Notes and so long as it holds any Notes, it will continue to be a person which is not a Restricted Overseas Person and will continue to reside in a jurisdiction which is not a Restricted Jurisdiction (as defined in this Offering Circular).

The Issuer will issue Notes under the Programme in accordance with the ECB Guidelines.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement.*

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this overview.

Issuer: ..... Housing Development Finance Corporation Limited.

The Issuer is a public limited company incorporated under the laws of the Republic of India, having its registered office at Ramon House, H.T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020 and corporate office at HDFC House, H.T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020, India, and registered with CIN L70100MH1977PLC019916.

Legal Entity Identifier: ..... 335800OX2H9AP7NHLT64

Risk Factors: ..... There are certain factors that may affect the Issuer’s ability to fulfil the Issuer’s obligations under Notes issued under the Programme. These are set out under “*Risk Factors*” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “*Risk Factors*” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Description: ..... Medium Term Note Programme

Arrangers: ..... The Hongkong and Shanghai Banking Corporation Limited

Nomura International (Hong Kong) Limited

Standard Chartered Bank

Dealers: ..... The Hongkong and Shanghai Banking Corporation Limited

Nomura International (Hong Kong) Limited

Standard Chartered Bank

and any other Dealers appointed in accordance with the Programme Agreement (as defined under “*Subscription and Sale*”).

Certain Restrictions: ..... Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”).

including the following restrictions applicable at the date of this Offering Circular.

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

Trustee:.....	Citicorp International Limited
Principal Paying Agent:.....	Citibank, N.A., London Branch
Registrar: .....	Citigroup Global Markets Europe, AG
Transfer Agent:.....	Citibank, N.A., London Branch
Programme Size: .....	U.S.\$2,800,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:.....	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:.....	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities: .....	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, including, but not limited to, the minimum maturity period specified under the ECB Guidelines or the relevant Specified Currency.
Issue Price: .....	Notes may be issued on a fully-paid or partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:.....	The Notes will be issued in bearer and/or registered form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes: .....	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including, but not limited to, the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may



be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including, but not limited to, the ECB Guidelines).

Floating Rate Notes: ..... Floating Rate Notes will bear interest at a rate, subject to any regulatory requirement, including, but not limited to, the ECB Guidelines, determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including, but not limited to, the ECB Guidelines).

Other provisions in Floating Rate Notes: ..... Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both, subject to any regulatory requirement, including, but not limited to, the ECB Guidelines.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Partly Paid Notes: ..... The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: ..... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: ..... Each Issuer may issue Notes which include Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Instalment Notes.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities

or to such other factors as the Issuer and the relevant Dealer may agree.

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree, subject to any regulatory requirement (including, but not limited to, the ECB Guidelines).

**Partly Paid Notes:** The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

**Instalment Notes:** The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: ..... Unless otherwise indicated in the applicable Pricing Supplement, the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons or (iii) following an Event of Default (as defined in Condition 10). Under the ECB Guidelines, any repayment of an ECB prior to its stated maturity requires the prior approval of the RBI or the AD Bank, as the case may be. Therefore, any redemption of the Notes prior to their stated maturity date will require the prior approval of the RBI or the AD Bank, as the case may be, under the ECB Guidelines.

The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement, subject to any regulatory requirements, including, but not limited to, the ECB Guidelines.

Denomination of Notes: ..... Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note will be €100,000 (or, if the Notes denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:..... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8.2), subject as provided

in Condition 8.1. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8.1, be required to pay additional amounts to cover the amounts so deducted.

Without prejudice to the Issuer's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to applicable fiscal and other laws, as provided in Condition 8.1.

Covenants: ..... The terms of the Notes will contain a negative pledge provision as further described in Condition 4.1 and the Issuer's right to consolidate, merge or amalgamate subject to certain requirements as further described in Condition 4.2.

Cross Default: ..... The terms of the Notes will contain a cross default provision as further described in Condition 10.1(d).

Status of the Notes: ..... Unless otherwise stated in the applicable Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated (and, subject to the provisions of Condition 4.1), unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

Listing: ..... Application has also been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of the UK Prospectus Regulation.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).

Governing Law: ..... The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

Clearing System: ..... Euroclear, Clearstream, Luxembourg (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of the Notes*").

Selling Restrictions: ..... There are restrictions on the offer, sale and transfer of the Notes under the EU Prospectus Regulation, the UK Prospectus

Regulation and in the United States, the United Kingdom, Japan, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale*”).

United States Selling Restrictions: ..... Regulation S, Category 2. TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

## **RISK FACTORS**

*Each investor should carefully consider the following risk factors as well as the other information contained in this Offering Circular and any pricing supplement prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering of the Notes, including the merits and risks involved. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Issuer or factors that the Issuer currently deems immaterial may also adversely affect the Issuer's business, financial condition and results of operations. The market price of the Notes could decline due to any one or more of these risks or such factors and all or part of an investment in the Notes could be lost.*

*Unless otherwise stated, the financial information used in this section is derived from the Issuer's 2021 Financial Statements (audited consolidated or, where appropriate, audited standalone) prepared under Ind AS and as set out under "Selected Financial Information".*

### **Risks relating to the Issuer's business**

#### ***The outbreak of Covid-19 has had, and may further have, a material adverse effect on the Group's business, financial condition and results of operations***

In late 2019, the recent coronavirus disease (**Covid-19**), was first reported in Wuhan, China. On 30 January 2020, the World Health Organisation declared the Covid-19 outbreak a "Public Health Emergency of International Concern" and on 11 March 2020 it was declared a pandemic.

The rapid and diffused spread of Covid-19 and the global health concerns relating to this outbreak have had a negative impact on, among other things, financial markets, liquidity, economic conditions and trade and could continue to do so for an unknown period of time, that could in turn have a material adverse impact on the Group's business, cash flows, results of operations and financial condition, including liquidity, asset quality and growth. The extent to which the Covid-19 outbreak impacts the Group's business, cash flows, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of Covid-19 both in India and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

A rapid increase in severe cases and deaths where measures taken by governments fail or are lifted prematurely may cause unprecedented economic disruption in India and in the rest of the world. The scope, duration and frequency of such measures and the adverse effects of Covid-19 remain uncertain.

The Covid-19 pandemic may affect the Group in a number of ways:

- (a) significant volatility in financial markets (including exchange rate volatility) and measures adopted by governments and central banks that further restrict liquidity, may limit access to funds, leading to shortages of cash or increase the cost of raising such funds;
- (b) large scale furloughs, terminations of employees or reductions in salaries may lead to defaults on loan payments by the Issuer's borrowers, particularly with respect to individuals and small/medium enterprises (SMEs);
- (c) the Issuer's delinquency ratios may substantially increase and its asset quality may deteriorate. As of 31 March 2021, the Issuer's impairment loss allowance amounted to Rs. 130.40 billion for loans on a consolidated basis which also includes provision for increased risk of deterioration of its loan portfolio on account of macro-economic factors caused by Covid-19. The impairment loss provision has been determined based on estimates using information available as of the reporting date and, given the unique

nature and scale of the economic impact of Covid-19, the expected credit loss including management overlay is based on various variables and assumptions, which could result in actual credit loss being different than that being estimated. Further, as a result of this pandemic, the credit performance and repayment behavior of customers' needs to be monitored closely and, in the event that the impact of the pandemic is more severe or prolonged than anticipated, this will have a corresponding impact on the carrying value of the financial assets. As of the date of this Offering Circular, the impact of these directions is difficult to ascertain. The Issuer may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to Covid-19, which may adversely impact its asset quality and profitability in future periods. As at 31 March 2021, the Issuer's individual collection efficiency is approximately 98 per cent. as compared to 96.3 per cent. in September 2020;

- (d) an overall deterioration in the economy may also lead to a reduction in the value of collateral provided by the borrowers for their loans, and any delay in the recovery of security, leading to higher than anticipated losses on default. In addition, economic deterioration could lead to significantly higher interest rates for the Issuer's customers which could increase the number of customers who face difficulty paying the amounts due on their loans. This could lead to a potential increase in late payments and loan defaults, ultimately reducing the Issuer's cash flow;
- (e) there may be a reduction in customer demand for the Issuer's products due to lockdown or other travel restrictions, economic hardship, illness, which may impact the Issuer's revenue and market share;
- (f) recently, throughout March and April 2021, due to an increase in the number of daily Covid-19 cases, several state governments in India re-imposed lockdowns, curfews and other restrictions to curb the spread of the virus. As a result of the detection of new strains and subsequent waves of Covid-19 infections in several states in India, as well as throughout various parts of the world, the Issuer may be subject to further reinstatements of lockdown protocols or other restrictions, which may adversely affect the Issuer's business operations. These lockdowns have, amongst other things, forced factories, shops and offices in India to close down, as many economic activities (including construction-related activity) have remained largely suspended. As a result, migrant workmen and labourers engaged to work in construction sites have departed from such sites owing to a suspension in construction activity. As the real estate industry employs a large number of migrant labour for construction, the ability to complete housing projects and handover projects in time may be adversely affected, which could adversely affect the Issuer's borrowers (in particular, its corporate borrowers). Any delays associated with completion of housing projects on account of the lockdowns may impact the asset quality of projects which are currently under construction and consequently, may affect the collateral furnished by its borrowers. Such delay will subsequently result in a delay in the sale and registration of the completed property. Given the rapidly changing implications of the spread of Covid-19, it is difficult to assess the impact of Covid-19 on the Issuer's business and results of operations and the Issuer may not be able to quantify or accurately predict the same;
- (g) there is no guarantee that the Issuer and the Indian financial services industry in general, notwithstanding measures taken by the government, will be able to maintain sufficient liquidity given the uncertain scope and duration of Covid-19. Further, if as a consequence of Covid-19, certain banks or HFCs are unable to meet their market commitments, this can impact investor confidence in HFCs generally and result in a loss to investors in the HFC. A liquidity shortage for the industry as a whole may also adversely impact the Issuer's short to medium term cash flows;
- (h) the value of the Issuer's investments may be reduced due to Covid-19 induced volatility;
- (i) the spread of the virus amongst the Group's employees, or any quarantine or lockdown measures affecting the Group's employees or facilities, may reduce the Group personnel's ability to carry out their work as

usual. In the event a member or members of the Issuer's management team contracts Covid-19, it may potentially affect its operations;

- (j) the Group's branch level and other operations will be disrupted by social distancing, split-team, working from home and quarantine measures. Further, because of the lockdowns ordered by the Government of India, a number of the Group's offices and employees have been working from home/ different locations utilising remote working technologies. As these are unforeseen circumstances, it may give rise to risks that the Issuer may not have anticipated. In particular, the Issuer faces heightened cyber-security risks with a large proportion of its employees working from home;
- (k) the Group's credit rating may be downgraded due to liquidity risks brought on by the Covid-19 pandemic;
- (l) the Group's strategic projects may be severely delayed or postponed indefinitely; and
- (m) the ability of the Issuer to meet ongoing disclosure obligations might be adversely affected, despite its best efforts.

The effect of the Covid-19 pandemic on market conditions has impacted the Issuer's customer base and, as a result, there is a greater likelihood that more of the Issuer's customers could become delinquent in respect of their loan repayments or other obligations to the Issuer, which, in turn, could result in a higher level of NPAs in its corporate and retail loan portfolio, allowances for impairment losses and write-offs.

There can be no assurance that the management's estimates or that the Issuer's risk monitoring techniques will be accurate or appropriately implemented. As a result, the Issuer may not be able to accurately anticipate the impact of the Covid-19 pandemic or other economic and financial events on its customer base and credit quality. These unforeseen circumstances may give rise to risks that the Group may not have anticipated.

Further, the Group generates almost all of its revenue in India. As India is a developing country with limited medical resources and certain places with dense populations, the effects of Covid-19 in India may be of a greater magnitude, scope and duration than those experienced to date in other countries. As per advance estimates by the National Statistical Office, India's GDP contracted by 8 per cent. in Fiscal 2021, primarily on account of the spread of Covid-19. During the second quarter of Fiscal 2021, as lockdown restrictions gradually eased, high frequency indicators, such as goods and services tax collections, e-tolls, auto sales, railway freight, electricity consumption, amongst others, began exhibiting signs of recovery. The economy recovered as GDP contracted by 7.3 per cent. in the second quarter of Fiscal 2021 but recorded a positive growth rate of 0.4 per cent. in the third quarter of Fiscal 2021.

The CRISIL Research Report also notes that Covid-19 exacerbates an already slowing economy, with Fiscal 2021 seeing the lowest growth in GDP in a decade, low private consumption, cautious lending by banks, poor capital expenditure and, in turn, weak banking credit growth. The CRISIL Research Report expects the pandemic-triggered economic downturn to result in lower banking credit growth, higher slippages and lower collections/resolutions, which in turn will impact credit costs and net interest income in the banking sector. For further details, please see "*Overview of Housing Finance Industry*".

In April 2021, the IMF projected India's real GDP growth for 2021 to be 12.5 per cent. (*Source: imf.org*). Further, the RBI estimates GDP growth in FY 2022 at around 9.5 per cent. (*Source: RBI Governor Statement dated 4 June 2021*). It is possible that Covid-19 will lead to a prolonged global economic crisis or recession, which may adversely affect the Issuer's business, prospects, financial condition and results of operations.

***The Indian housing finance industry is competitive, and competition may result in declining margins if the Issuer is unable to compete effectively, which may adversely affect the Issuer's business, prospects, financial condition and results of operations***

The Issuer's principal business is the provision of housing finance in India, and the Issuer competes primarily on the basis of the interest rate on the loans granted to customers. All else being equal, higher interest rates on loans are generally less desirable to borrowers. These rates, in turn, are linked to the cost of funding for the Issuer.

The Issuer faces significant and increasing competition from other housing finance companies (**HFCs**), non-banking financial companies (**NBFCs**) and commercial banks, which have focused on growing their retail portfolios in recent years, but also from local unorganised or semi-organised private financiers. Interest rate deregulation and other liberalisation measures affecting the housing finance industry have in recent years increased the Issuer's exposure to competition. All of these factors have resulted in HFCs, including the Issuer, facing increased competition from other lenders in the retail housing market, including NBFCs, commercial banks as well as local unorganised or semi-organised private financiers. Unlike commercial banks, the Issuer does not have access to funding from savings and current deposits of customers. Instead, the Issuer is reliant on relatively higher-cost term loans, term deposits and debentures and securities for its funding requirements. Moreover, commercial banks benefit from lower minimum required capital adequacy ratios, enabling them to make relatively larger volumes of loans. Further, under the recent regulatory changes, banks are required to lend at rates based on an external market linked benchmark. The Issuer's ability to compete effectively with commercial banks will depend, to some extent, on its ability to raise low-cost funding in the future. The Issuer may also face significant and increasing competition from NBFCs in certain or all segments of its business and operations. If the Issuer is unable to compete effectively with other participants in the housing finance industry, this may adversely affect the Issuer's business, prospects, financial condition and results of operations.

The Issuer's ability to compete may also be affected by changes in the interest rates it pays on its borrowings. Further, to the extent that the Issuer's borrowings are linked to market interest rates, the Issuer may be subject to short-term fluctuations in interest rates, unlike lenders that borrow only at fixed interest rates. Recently, market interest rates have been low due to high systematic liquidity and any increase in the interest rates that the Issuer pays on its borrowings may adversely affect the Issuer's ability to compete with its competitors who may have access to lower cost of funds.

Further, technology innovations in mobilisation and digitalisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. This could increase competitive pressures on banks, including the Issuer, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that the Issuer will be able to continue to respond promptly to new technology developments, and be in a position to dedicate resources to upgrade its systems and compete with new players entering the market.

In addition, new entrants into the financial services industry, including companies in the financial technology sector, may further intensify competition in the business environments, especially in the digital business environment. As a result, the Issuer may be forced to adapt its business to compete more effectively. There can be no assurance that the Issuer will be able to respond effectively to current or future competition or that the technological investments it makes in response to such competition will be successful. Due to competitive pressures, the Issuer may be unable to successfully execute its growth strategy and offer products and services (whether current or new offerings) at reasonable returns and this may adversely impact its business. If the Issuer is unable to retain and attract new customers, its revenue and net profits will decline, which could materially adversely affect its financial condition.

Furthermore, as a result of increased competition in the Indian housing finance industry, home loans are becoming increasingly standardised, and terms such as floating rate interest options, lower processing fees and monthly rest periods are becoming increasingly common. There can be no assurance that the Issuer will be able to react effectively to these or other market developments or compete effectively with new and existing players in this



increasingly competitive industry. Any inability to compete effectively may have an adverse effect on the Issuer's net interest margin and other income. If the Issuer is unable to compete successfully, its market share may decline as the origination of new loans declines, which may in turn adversely affect the Issuer's business, prospects, financial condition and results of operations.

***Due to challenging conditions in the global capital markets, the economy generally and the Issuer's credit rating in particular, the Issuer may be unable to secure funding at competitive rates***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries and markets. Although economic conditions are different in each country, investors' reactions to developments in other countries or markets may adversely impact the markets in India, including the markets in which the Issuer operates. A loss of investor confidence in the financial systems of other markets may lead to volatility in the Indian financial markets and may also impact the Indian economy. The deterioration in the financial markets may cause a serious recession in many countries, which may lead to significant declines in employment, household wealth, consumer demand and lending, and as a result may adversely affect economic growth in India and elsewhere. Liquidity risk is the risk that the Issuer either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due or can access them only at excessive costs. This risk is inherent in mortgage-lending operations and can be heightened by a number of the factors mentioned above.

The Issuer's funding consists principally of commercial paper, domestic and foreign currency term loans, non-convertible debentures and other debt securities, refinance from NHB and deposits. The Issuer does not have a banking licence and, like other HFCs, it does not have access to savings and current account balances. Funding from debentures and securities constituted 42 per cent. of the Issuer's total funding for the financial year ended 31 March 2021 and 43 per cent. in the financial year ended 31 March 2020, respectively. There can be no assurance that the Issuer will be able to continue securing increased funding from banks or other sources of funding at current rates. In particular, banks that currently lend to the Issuer may reach industry or borrower concentration limits and be unable to advance further funds, which may adversely affect the Issuer's business, prospects, financial condition and results of operations.

Furthermore, the Issuer's cost of funds from banks, domestic and international debt capital markets and its deposits are influenced by the Issuer's credit rating from the domestic credit rating agencies, being "CRISIL AAA/Stable" from CRISIL Limited (**CRISIL**) and "ICRA AAA/Stable" from ICRA Limited (**ICRA**) on bonds and non-convertible debentures and on subordinated debt, and "CRISIL FAAA/Stable" from CRISIL and "ICRA MAAA/Stable" from ICRA on deposits. There can be no guarantee that the Issuer will not be subject to downgrades to its credit ratings. Any downgrade in such ratings would result in an increase in the cost of the Issuer's funding and could reduce its sources of funding and in turn may adversely affect the Issuer's business, prospects, financial condition and results of operations.

***The Issuer's business is vulnerable to volatility in interest rates which may adversely affect the Issuer's business, prospects, financial condition and results of operations and its net interest margin***

Interest rates in India are primarily determined by the market, which results in increased interest rate risk exposure for all banks and financial intermediaries in India, including the Issuer.

The Issuer's results of operations are substantially dependent upon the level of its net interest income. Interest rates are sensitive to many factors beyond the Issuer's control, including the RBI's monetary policies, domestic and international economic and political conditions and other factors. The Issuer's policy is to attempt to balance the proportion of its interest-earning assets and interest-bearing liabilities which have interest at floating rates. However, there can be no assurance that the Issuer will be able to adequately manage its interest rate risk in the future and will be able to effectively balance floating rate loan assets and liabilities. Furthermore, despite this balancing, changes in interest rates could affect interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities in different ways. Due to high systemic liquidity, market interest rates in short tenors have been much lower than policy rates. Any change in the approach of RBI in management of systemic

liquidity could result in sharp changes in the overnight and short tenor market rates to which the Issuer is exposed. Thus, the Issuer's results of operations could be affected by changes in interest rates and the timing of any re-pricing of its liabilities compared with the re-pricing of its assets. Further, fluctuations in interest rates may adversely affect the Issuer's treasury operations, and in a rising interest rate environment, especially if the rise is sudden or sharp, the Issuer could be adversely affected by the decline in the market value of its securities portfolio and other fixed income securities.

***The Issuer is exposed to large loan concentrations with several borrowers and default by any one of them would adversely affect the Issuer's business***

As of 31 March 2021, aggregate loans to the Issuer's twenty largest borrowers amounted to Rs. 589 billion, representing approximately 10.69 per cent. of the Issuer's total loans outstanding, as compared to Rs. 521 billion, representing approximately 11.05 per cent., as of 31 March 2020. Any deterioration in the credit quality of these assets could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

***The Issuer may not be able to successfully sustain its growth, which may adversely impact its business, prospects, financial condition and results of operations***

For the financial year ended 31 March 2021, the Issuer's loan book grew by 11 per cent. (net of loans sold) to stand at Rs. 4,983 billion. The growth in the loan book would have been higher, at 15 per cent., if the loans sold were included in the loan book. The Issuer's total assets under management grew by 10 per cent. from Rs. 5,168 billion as of 31 March 2020 to Rs. 5,699 billion as of 31 March 2021. The Issuer's growth strategy includes growing its loan book and expanding its range of existing home loan products and services to new customer segments as well as new regions and markets in India. There can be no assurance that the Issuer will be able to sustain its growth successfully or that it will be able to expand further or diversify its loan book.

In addition, the Issuer's expansion into certain new lines of business, including through its Subsidiaries, is relatively recent, and the Issuer may not have fully completed the implementation of comprehensive systems to manage the risks associated with these new business lines. If the Issuer continues to expand its business and enter into new business lines at the current rate, it may in the future reach a point where it cannot continue to sustain its growth without resulting in a higher level of non-performing loans and in the deterioration of the overall quality of its loan portfolio. Further, if the Issuer grows its loan book too rapidly, or fails to make proper assessments of credit risks associated with new borrowers or new businesses, a higher percentage of the Issuer's loans may become non-performing, which would have a negative impact on the quality of the Issuer's assets and its business, prospects, financial condition and results of operations.

The Issuer faces a number of operational risks in sustaining its growth. It will need to recruit new employees who will have to be trained and integrated into the Issuer's operations. The Issuer will also have to train existing employees to adhere properly to new internal controls and risk management procedures. Failure to properly train and integrate employees may increase employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase the Issuer's exposure to high-risk credit and impose significant costs on the Issuer, which may in turn adversely affect its business, prospects, financial condition and results of operations.

***The Issuer regularly expands its products and services to new customer segments in India, and there can be no assurance that the Issuer's products and services will be profitable in the future***

The Issuer regularly expands its products and services to new customer segments in India. It may incur costs to expand its range of products and services and cannot guarantee that such expansion will be successful once implemented, whether due to factors within or outside of its control, such as general economic conditions, a failure to understand customer demand and market requirements or management focus on these expansion of its products and services.

Furthermore, there may not be sufficient demand for such services and products, and they may not generate sufficient revenues relative to the costs associated with developing and introducing such services and products. Even if the Issuer were able to introduce its products and services in new customer segments successfully, there can be no assurance that it will be able to achieve its intended return on such products and services. If the Issuer fails to develop and launch these products and services successfully, it may lose a part or all of the costs incurred in their development and promotion, or discontinue these products and services entirely, which could in turn adversely affect its growth, its ability to compete effectively, and/or its business, prospects, financial condition and results of operations.

***The Issuer may experience difficulties in expanding its business into new regions and markets which may adversely affect its business prospects, financial conditions and results of operations***

As of 31 March 2021, the Issuer's distribution network comprised 593 outlets, which included 203 offices of the Issuer's wholly owned Subsidiary, HDFC Sales Private Limited (**HSPL**). The Issuer continues to evaluate opportunities to expand its business into new geographical regions and markets in India, and to open representative offices outside of India. Factors such as competition, customer requirements, regulatory regimes, culture, business practices and customs in these new regions, markets and countries may differ from those in the Issuer's existing regions, markets and countries, and the Issuer's experience in its existing markets may not be applicable to these new regions, markets and countries. In addition, as the Issuer enters new markets and geographical regions in India, it is likely to compete not only with other banks and financial institutions, but also with the local unorganised or semi-organised private financiers, who are more familiar with local regulations, business practices and customs and have stronger relationships with potential customers.

As the Issuer continues to expand its geographic footprint by entering into new regions and markets in India and opening representative offices in foreign countries, its business may be exposed to various additional challenges, including, amongst others: obtaining necessary governmental approvals; identifying and collaborating with local businesses and partners with whom the Issuer may have no previous working relationship; successfully marketing the Issuer's products in markets with which it has no familiarity; attracting potential customers in a market in which the Issuer does not have significant experience or visibility; falling under additional local tax jurisdictions; attracting and retaining new employees; expanding the Issuer's technological infrastructure; maintaining standardised systems and procedures; and adapting the Issuer's marketing strategy and operations to different regions of India, or outside of India, in which different languages are spoken. To address these challenges, the Issuer may have to make significant investments which may not yield desired results or which may incur costs which it may not recover. The Issuer's inability to expand its current operations may adversely affect its business, prospects, financial condition and results of operations.

***The Issuer has entered into distribution arrangements with commercial banks and NBFCs, which may be terminated, adversely affecting the Issuer's business and results of operations***

The Issuer's distribution channels include its branches, HSPL, the Issuer's associate HDFC Bank Limited (**HDFC Bank**) and third party direct selling associates. For the financial year ended 31 March 2021, HDFC Bank, HSPL and the Issuer's branches, together, accounted for 83 per cent. of the Issuer's mortgages. The Issuer has third-party distribution arrangements with commercial banks, small finance banks, non-banking financial companies and other distribution companies such as e-portals for retail loans. The Issuer's agreements with the distributors can be terminated by either party with notice. In the event that any such agreement is terminated by the counterparty bank, small finance bank or NBFC and the Issuer was not able to find substitutes in a short time, the Issuer's ability to provide services to clients could be affected. In such a case, its business, prospects, financial condition and results of operations could be materially and adversely affected.

Additionally, if any of the counterparties to the Issuer's distribution agreements choose to retain accounts or customers, rather than refer such accounts or customers to the Issuer, the Issuer's business and results of operations could be materially and adversely affected.

***The Issuer's equity investments are subject to market and liquidity risk which may adversely affect the Issuer's asset quality, business, prospects, financial condition and results of operations***

As of 31 March 2021, the book value of the Issuer's equity and equity fund investments in entities other than the Issuer's Subsidiaries and Associates was Rs. 92.67 billion, which accounted for 1.63 per cent. of the Issuer's total assets. The value of these investments depends on the success of the operations and management and continued viability of the entities in which the Issuer invests. The Issuer has limited or no control over the operations and management of these entities. Some of these investments are unlisted, offering limited exit options. Therefore, the Issuer's ability to realise expected gains as a result of its equity investments depends on factors outside of its control. Impairment in the value of the equity portfolio may adversely affect the Issuer's asset quality, business, prospects, financial condition and results of operations.

***The Issuer's investment in and control of its Subsidiaries and Associates may be diluted or divested, which may lead to a loss of control of such entities, which may adversely affect the Issuer's consolidated results of operations, financial condition and prospects. Furthermore, any business combination that the Issuer may enter into could be adversely affected by stringent approvals and compliance requirements***

For the period ended 31 March 2021, the Issuer's Subsidiaries and Associates accounted for 46.15 per cent. of the Issuer's consolidated profit after tax. Some of the Issuer's Subsidiaries, including its material Subsidiaries HDFC ERGO General Insurance Company Limited, are not wholly owned. Any further capital issuances by the Issuer's Subsidiaries and Associates may lead to a dilution of the Issuer's stake in such entities and may adversely affect its control over the operations and management of these entities. Further, the Issuer cannot assure investors that it will not divest part, or all, of its shareholding in its Subsidiaries and Associates, whether for commercial reasons or pursuant to regulatory action. Any such divestment or exit could lead to a loss of control over these entities. While the Issuer has received an RBI approval for holding more than 10 per cent. of the issued, subscribed and paid-up capital of its Associate, HDFC Bank, any rescission or non-renewal of this approval could lead to a loss of the Issuer's influence over the operations and management of HDFC Bank. Furthermore, in December 2019, the RBI directed the Issuer to reduce its shareholding in its insurance subsidiaries to 50 per cent. or below. Accordingly, during the year ended 31 March 2021, the Issuer reduced its shareholding in HDFC Life Insurance Company Limited (**HDFC Life**) to 49.97 per cent. and has approval from its Board of Directors and shareholders to sell 4.99 per cent. of its shareholding in HDFC ERGO General Insurance Company Limited.

A loss of control over any of the Issuer's Subsidiaries or Associates may lead to a diminution of the returns and synergies from these entities, which may have an adverse effect on the Issuer's business, prospects, financial condition and results of operations.

There have been reports in the Indian media suggesting that the Issuer may merge with HDFC Bank. The Issuer considers business combination opportunities as they arise. At present, the Issuer is not actively considering a business combination with HDFC Bank. Any significant business combination would involve compliance with regulatory requirements and shareholder and regulatory approvals.

***The Issuer is required to comply with capital adequacy requirements, and any failure to maintain required levels could restrict its business growth and adversely affect its financial condition and results of operations***

Pursuant to the HFC Directions 2021, HFCs now have a tightened capital adequacy framework applicable to them, including the Issuer. Every HFC is required to maintain a minimum capital adequacy ratio (**CAR**) as per the prescribed regulations of 14 per cent. and minimum Tier-I Capital of 10 per cent. On or before 31 March 2022, NBFC HFCs are required to maintain a minimum CAR of 15 per cent. and minimum Tier-I Capital at 10 per cent. Additionally, the total of Tier-II Capital for an HFC must not exceed 100 per cent. of its Tier-I Capital at any point in time. The Issuer's capital adequacy ratio was 22.2 per cent. as at 31 March 2021, with Tier-I Capital comprising 21.5 per cent. and Tier-II Capital comprising 0.7 per cent., as compared to 17.5 per cent. as at 31 March 2020, with Tier-I Capital comprising 16.5 per cent. and Tier-II Capital comprising 1.1 per cent.

As the Issuer grows, its loan portfolio and asset base, it may be required to raise additional Tier-I and Tier-II Capital in order to continue to meet applicable capital adequacy ratios with respect to its principal business of housing finance. In addition, if the Issuer's Subsidiaries and Associates continue to expand rapidly, the Issuer may be required to invest additional equity capital in such Subsidiaries and Associates and it may need to raise additional capital to fund such investments. There can be no assurance that the Issuer will be able to raise adequate additional capital on favourable terms in the future. If the contribution of capital to the Issuer's Subsidiaries and Associates leads to the Issuer's capital adequacy ratio declining further, the growth of all of its businesses, including its core housing finance business, could be materially restricted.

Furthermore, the risk weighting required to be applied by the Issuer to loans provided to individuals which are secured by mortgage of immovable property ranges from 35 per cent. to 75 per cent. based on the loan to value ratio and size of the loan. For further details, please see "*Key Regulation and Policies – Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("HFC Directions 2021")*". If risk weights are increased, the Issuer's capital adequacy ratio would be reduced and the Issuer may be required to raise additional capital to maintain its capital adequacy ratio. There can be no assurance that the Issuer will be able to raise capital as and when necessary. A failure to raise capital when necessary may lead to the growth of all the Issuer's businesses, including its core housing finance business, being materially restricted.

### ***Increased levels of non-performing loans would adversely affect the Issuer's results of operations***

As at 31 March 2021, the Issuer's gross non-performing loans position under the ECL framework (in accordance with Ind AS) was equal to 1.98 per cent. as compared to 1.99 per cent. as at 31 March 2020.

Ind AS requires entities to recognise and measure a credit loss allowance or provision based on expected credit loss (**ECL**). The expected loss impairment model applies to loans, debt securities and trade receivables measured at amortised cost or at fair value through other comprehensive income. Under Ind AS 109, all financial instruments are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at a reporting date after initial recognition, then an instrument is transferred to stage 2. If there is an evidence of impairment, then the asset is credit-impaired and transferred to stage 3. For determining a significant increase in credit risk of financial instruments, IND AS 109 requires a comparison of the risk of default occurring at the relevant reporting date with the risk of default occurring as at the time of initial recognition. The credit risk is required to be assessed at each reporting date.

ECL, at each relevant reporting date, is measured through a loss allowance for a financial asset at an amount equal to:

- (a) the lifetime ECLs, if the credit risk on that financial instrument has increased significantly since initial recognition. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial asset.
- (b) 12-month ECLs, if the credit risk on a financial instrument has not increased significantly since initial recognition. 12-month ECLs are the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.

Accordingly, ECL of a financial instrument is to be measured in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For measuring the ECL, it is not necessary to identify every possible scenario and the maximum period to be considered for measuring ECL is the maximum contractual period (including the extension options) over which the entity is exposed to credit risk.

A number of factors which are not within the Issuer's control could affect its ability to control and reduce non-performing loans. These factors include developments in the Indian economy and the real estate market situation, movements in global markets, global competition, changes in interest rates and exchange rates and changes in regulations. Any negative trends or financial difficulties among the Issuer's borrowers could increase the level of non-performing loans in the Issuer's portfolio and adversely affect the Issuer's business and financial performance. The borrowers may default in their repayment obligations due to various reasons, including (but not limited to) insolvency and lack of liquidity. Any such defaults and non-payments would result in write-offs and/or provisions in the Issuer's financial statements which may materially and adversely affect its profitability and asset quality.

Under Ind AS, the Issuer's assets have been classified, based on Exposure at Default (**EAD**), under Stage I: Performing Assets, Stage II: (a) Under Performing Assets and (b) Performing but identified as Assets having some degree of stress, and Stage III: Non-Performing Assets.

The level of the Issuer's provisions may not be adequate to cover further increases in the amount of its non-performing loans or the underlying collateral. If such provisions are not sufficient to provide adequate cover for loan losses that may occur, or if the Issuer is required to increase its provisions, this could have a material adverse effect on the Issuer's financial condition, liquidity and results of operations and may result in a requirement to raise additional capital.

***Certain of the Issuer's Subsidiaries have incurred losses, which may affect its profitability and may lead to an erosion of the value of its investments in its Subsidiaries***

Certain of the Issuer's Subsidiaries have incurred losses in recent years. Furthermore, any adverse impact on the business and revenue of its Subsidiaries would adversely affect the Issuer's profitability on a consolidated basis and could place the capital invested in such Subsidiaries at risk.

***The Issuer may not be able to recover the full value of collateral or amounts, which are sufficient to cover the outstanding amounts due under defaulted loans, which could expose it to losses and consequent adverse impact on its financial condition and results of operations***

The Issuer's lending products include housing loans, loans against property and corporate mortgage loans. A substantial portion of the Issuer's loan book is exposed to the real estate sector as the underlying security on these loans is primarily mortgages. In the event the real estate sector is adversely affected due to any reason whatsoever, including without limitation, the passing of any stringent norms regarding construction, floor space index or other compliances, the value of the Issuer's collateral may diminish which may affect its business and results of operations in the event of a default in repayment by its clients. Also, if any of the projects which form part of the Issuer's collateral are stalled for any reason for any length of time, the same may affect the Issuer's ability to enforce its security, thereby effectively diminishing the value of such security.

The Issuer's policy is to secure all of its loans with real property, and, in some cases, the Issuer has also taken further security by way of personal guarantees and the assignment of benefits under life insurance policies. However, an economic downturn or sharp downward movement in prices of real estate could result in a fall in collateral values. Additionally, the Issuer may not be able to realise the full value of its collateral due to, among other things, defects in the perfection of collateral, delays on the Issuer's part in immediate taking action to secure its property, delays in bankruptcy foreclosure proceedings, and fraudulent transfer by borrowers. Any significant changes to the resolution process under the Insolvency and Bankruptcy Code, 2016 (**IBC**), may also affect investors' confidence in the Indian financial banking sector. However, because of Covid-19, the Government of India has declared that there will be no new additions under the IBC for one year and this may affect the recoveries

for the Issuer. Further, the court proceedings in relation to recovery of loans have been conducted virtually due to the Covid-19 pandemic, thereby impacting the timelines for the recovery process.

As part of the economic relief package due to the Covid-19 pandemic, the GoI has directed all relevant Real Estate Regulation Authorities to extend the deadline for completion of projects by developers, by 180 days, for all projects which were to be completed. Accordingly, there can be no assurance that such extension may not have an adverse effect on the growth of the Issuer's business and financial condition.

In order to prevent frauds in loan cases involving multiple lending from different banks or HFCs, the GoI has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (**CERSAI**) under section 20 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002, as amended (**SARFAESI Act**) in order to create a central database for registration of transaction of securitisation and reconstruction of financial assets and creation of security interest under the SARFAESI Act. The Issuer is registered with the CERSAI and it submits the relevant data to the CERSAI from time to time. The Issuer also appoints a number of providers of credit verification and investigation services to obtain information on the credit-worthiness of its prospective customers. However, there can be no assurance that these measures will be effective in preventing frauds.

Following the introduction of the SARFAESI Act in 2002 and the extension of its application to HFCs, the Issuer may now foreclose on collateral after sixty days' notice to a borrower whose loan has been classified as non-performing. However, in a case before the Supreme Court of India in 2004, while the constitutional validity of the SARFAESI Act was affirmed, the right of a defaulting borrower to appeal to the Debt Recovery Tribunal (**DRT**) was also affirmed. The DRT has the power to issue a stay order prohibiting the lender from selling the assets of a defaulted borrower. As a result, there can be no assurance that any foreclosure proceedings would not be stayed by the DRT.

A failure to recover the expected value of collateral security could lead to a potential loss for the Issuer. Any such losses could adversely affect the Issuer's financial condition and results of operations.

***The Issuer may have to comply with stricter or unexpected regulations and guidelines issued by regulatory authorities in India, including the RBI, the NHB and the Companies Act, which may increase the Issuer's compliance costs, divert the attention of the Issuer's management and subject it to penalties***

The Issuer is regulated principally by, and has reporting obligations to, the RBI, the NHB and the Ministry of Corporate Affairs. The Issuer is also subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework in India differs in certain material respects from that in effect in other countries and may continue to change as India's economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's housing finance sector. For example, the RBI, through a circular no. RBI/2019-20/98 DOR NBFC (PD) CC.No.105/03.10.136/2019-20 dated 11 November 2019, withdrew certain exemptions that were earlier granted to HFCs, including the Issuer. As a result, the RBI has made the provisions of Chapter IIIB which relate to non-banking institutions receiving deposits and financial institutions (except Section 45-IA of Reserve Bank of India Act, 1934) applicable to HFCs, including the Issuer. Chapter IIIB requires non-banking financial companies to invest in India in unencumbered approved securities, which are valued at a price not exceeding the current market price, the amount of which, at the close of business on any day, shall not be less than five per cent. and not exceeding 25 per cent. Under Chapter IIIB, the RBI is empowered to exercise various powers including but not limited to, regulating or prohibiting the issue of a prospectus or an advertisement soliciting deposits of money, determining policies, issuing directions, collecting information as to deposits, calling for information from financial institutions, filing winding up petitions, prohibiting acceptance of deposit and alienation of assets and conducting inspections. There is no guarantee that RBI may not withdraw any other exemptions that are currently available to HFCs.

In terms of the HFC Master Directions 2021 dated 17 February 2021, an HFC shall not accept or renew public deposits unless (i) the HFC has obtained the minimum investment grade rating for its fixed deposits from any one of the approved rating agencies, at least once a year, and a copy of such rating is sent to the NHB and (ii) it is complying with all the prudential norms. Provided that an HFC has obtained a credit rating for its fixed deposits not below the minimum investment grade rating set out above and such HFC has complied with all the prudential norms, it may accept public deposits not exceeding three times of its net owned funds (**NOF**). Further, no HFC shall have deposits (inclusive of public deposits), the aggregate amount of which, together with the amounts, if any, held by it which are referred in clauses (iii) to (vii) of Section 45I(bb) of the Reserve Bank of India Act, 1934 as also loans or other assistance from the National Housing Bank, is in excess of (i) 14 times of its NOF on or after 31 March 2020; (ii) 13 times of its NOF on or after 31 March 2021; and (iii) 12 times of its NOF on or after 31 March 2022. For the purpose of determining the above limit, NOF shall mean “net owned fund” as defined in the NHB Directions, 2010 and taken from the audited accounts as at 31 March of the previous year.

Similarly, in accordance with the RBI guidelines relating to Covid-19 Regulatory Package dated 27 March 2020 and 17 April 2020, the RBI allowed commercial banks, co-operative banks, financial institutions and NBFCs to grant a 3-month moratorium on payment of instalments of all term loans which were standard assets as at 29 February 2020 to help alleviate the hardship of borrowers which was brought on by the national lockdown.

The initial moratorium period was for payments due between 1 March 2020 and 31 May 2020. On 22 May 2020, the RBI permitted an extension of the moratorium period by 3 months up to 31 August 2020. Interest shall continue to accrue on the outstanding portion of the loan during the moratorium period.

Lenders were required to get board approval prior to offering their customers the moratorium. Lenders have adopted different methods in offering the moratorium -- either an ‘opt-in’ or ‘opt-out’ structure. The Issuer has adopted an ‘opt-in’ structure for the moratorium. As of 25 May 2020, approximately 26 per cent. of the Issuer's loans under management have opted for the moratorium. Of this, individual loans, on which a moratorium had been requested, account for 21 per cent. of the total individual loan portfolio.

Any changes in the existing regulatory framework, including any increase in the compliance requirements, may require the Issuer to divert additional resources, including management time and costs towards such increased compliance requirements. Such an increase in costs could have an adverse effect on the Issuer's business, prospects, financial condition and results of operations. Further, the Issuer's management may be required to divert additional time and effort towards meeting such enhanced compliance requirements, which may have an adverse effect on its future business, prospects, financial condition and results of operations.

Further, as a listed company, the Issuer is subject to continuing obligations under the Uniform Listing Agreement as well as the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Additionally, as the Issuer's outstanding non-convertible debentures are listed on the WDM segment of BSE and NSE, the Issuer is subject to the SEBI Debt Regulations.

Furthermore, through the HFC Directions 2021, the RBI has defined the principal business and qualifying assets for HFCs and has provided an inclusive definition of the terms ‘providing finance for housing’ or ‘housing finance’ as per provisions of the RBI's master circular on housing finance addressed to banks and NHB's illustrative list of housing loans. For further details in relation to the HFC Directions 2021 and the regulatory changes, please see the section entitled “*Key Regulations and Policies*”.

There can be no assurance that the Issuer will be able to comply with any increased, more stringent, or unexpected regulatory requirements, in part or at all. Failure to comply with such further regulatory requirements could lead to regulatory actions, including penalties, which may have an adverse effect on the Issuer's future business, prospects, financial condition and results of operations.



***The Issuer may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect its business, prospects, financial condition and results of operations***

The Competition Act regulates practices having an appreciable adverse effect on competition in the relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes, or is likely to cause, an appreciable adverse effect on competition is considered void and may result in the imposition of substantial monetary penalties. Further, any agreement among competitors which directly or indirectly involves: the determination of purchase or sale prices; limiting or controlling production; supply; markets; technical development; investment or provision of services; sharing the market or source of production or provision of services in any manner by way of allocation of geographical area, type of goods or services or number of customers in the relevant market or in any other similar way; or bid-rigging or collusive bidding is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits abuse of a dominant position by any enterprise. If it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall also be guilty of the contravention and may be punished.

On 4 March 2011, the Government issued and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from 1 June 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset and turnover based thresholds, to be mandatorily notified to and pre-approved by the CCI. Additionally, on 11 May 2011, the CCI issued the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations 2011, as amended, which sets out the mechanism for implementation of the merger control regime in India. The Competition Act aims to, among others, prohibit all agreements and transactions which may have an appreciable adverse effect on competition in India. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India.

The applicability or interpretation of the Competition Act to any merger, amalgamation or acquisition proposed or undertaken by the Issuer, or any enforcement proceedings initiated by CCI for alleged violation of provisions of the Competition Act, may adversely affect the Issuer's business, financial condition or results of operations. The Issuer cannot guarantee that it will be able to obtain approval for any future transactions on satisfactory terms, or at all. If the Issuer or any member of its group is affected directly or indirectly by the application or interpretation of any provision of the Competition Act, any proceedings initiated by the CCI or any other relevant authority (or any other claim by any other party under the Competition Act) and any adverse publicity that may be generated due to scrutiny or prosecution under the Competition Act, including by way of financial penalties, the Issuer's reputation may be materially and adversely affected, which may in turn have an adverse effect on its future business, prospects, financial condition and results of operations.

***Companies operating in India are subject to a variety of taxes and surcharges***

Taxes and other levies imposed by the central and state governments in India that affect the Issuer's tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty, tax on dividends and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. The central or state government may in the future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect the Issuer's business, cash flows and results of operations.

***The taxation system in India could adversely affect the Issuer's business, prospects, financial condition and results of operations***

The Government has implemented major reforms in Indian tax laws, namely the imposition of the goods and services tax and provisions relating to the GAAR. The goods and services tax has replaced the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT and surcharge and excise currently previously by the central and state governments.

As regards GAAR, the provisions have been introduced in the Finance Act 2012 and, as per the Finance Act 2015, were applicable in respect of an assessment year beginning on or after 1 April 2018. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose of which is to obtain a tax benefit and which satisfy at least one of the following tests: (a) creates rights, or obligations, which are not normally created between persons dealing at arm's length; (b) results, directly or indirectly, in misuse or abuse of the provisions of the Income Tax Act 1961; (c) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (d) is entered into or carried out by means, or in a manner, which is not normally employed for bona fide purposes. If GAAR provisions are invoked, the tax authorities would have wide powers, including denial of a tax benefit or a benefit under a tax treaty.

The Central Board of Direct Taxes (CBDT) issued a press release dated 27 January 2017 providing certain clarifications on the applicability of GAAR. The press release, provides *inter alia*, that, if there is a Limitation of Benefit (LOB) clause in the tax treaty that sufficiently addresses the issue of tax avoidance, then GAAR provisions will not be invoked. The press release further states that adoption of anti-abuse rules in tax treaties may not be sufficient to address all tax avoidance strategies and such issues are required to be addressed through domestic anti-avoidance rules. Furthermore, if a case of avoidance is sufficiently addressed by the relevant LOB provisions in the treaty, then GAAR provisions may not be invoked. The press release further clarifies that, if the jurisdiction of the foreign portfolio investor is finalised based on non-tax commercial considerations and the main purpose of the arrangement is not to obtain tax benefit, then the provisions of GAAR will not apply.

As the taxation system has undergone significant changes, the effect of such changes on the financial system cannot be determined at present and there can be no assurance that such effects would not adversely affect the Issuer's business, prospects, financial condition and results of operations.

***The Issuer depends on its brand and failure to maintain and enhance awareness of its brand would adversely affect its ability to retain and expand its base of customers***

The Issuer believes that the strong reputation of the "HDFC" brand name are essential to its business. As such, any damage to the Issuer's reputation and that of the "HDFC" brand name could substantially impair its ability to maintain or grow the business. In addition, any action on the part of the Issuer's promoter or any of the companies in the Group that negatively impacts the "HDFC" brand names could have a material adverse effect on the Issuer's business, cash flows, financial condition and results of operations.

If the Issuer fails to maintain this brand recognition with its target customers due to any issues with its product offerings, a deterioration in service quality resulting in dissatisfaction, or otherwise, or if any premium in value attributed to its business or to the brands under which its services are provided declines, market perception and customer acceptance of its brands may also decline. In such an event, the Issuer may not be able to compete for customers effectively, and its business, financial condition and growth prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of the Issuer's brand, trademarks and other related intellectual property rights by others, including its Subsidiaries or third party distributors of its products, in their corporate names or product brands or otherwise could harm the Issuer's brand image, competitive advantages and business and dilute or harm its reputation and brand recognition. Further, if a dispute arises with respect to any of the Issuer's intellectual property rights or proprietary information, it will be required to produce evidence to defend

or enforce its claims, and the Issuer may become party to litigation, which may strain its resources and divert the attention of its management. The Issuer cannot assure that any infringement claims that are material will not arise in the future or that it will be successful in defending any such claims when they arise.

The Issuer's efforts to protect its intellectual property or proprietary information and the measures it takes to identify potential infringement of its intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. The misappropriation or duplication of its intellectual property or proprietary information may disrupt its business, distract management and employees, reduce revenues and increase expenses. In addition, the Issuer may also become subject to infringement claims. Even if claims against the Issuer are not meritorious, any legal, arbitral or administrative proceedings that it may be required to initiate or defend in this regard may be time-consuming, costly and harmful to the Issuer's reputation, and there is no assurance that such proceedings will ultimately be determined in the Issuer's favour. Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of the Issuer's brand in Indian markets.

The Issuer's failure to adequately protect its brand, trademarks and other related intellectual property rights may adversely affect its business, cash flows, financial condition and results of operations.

***The Issuer may not adequately assess, monitor and manage risks inherent in its business, and any failure to manage risks could adversely affect its financial condition and results of operations***

The Issuer is exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk (including fraud) and legal risk. The effectiveness of its risk management is limited by the quality and timeliness of available data.

The Issuer's hedging strategies and other risk management techniques may not be fully effective in mitigating its risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although the Issuer has established these policies and procedures, they may not be fully effective.

The Issuer's future success will depend, in part, on its ability to respond to new technological advances and emerging banking and housing finance industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that the Issuer will successfully implement new technologies or adapt its transaction-processing systems to customer requirements or emerging market standards. Failure to properly monitor, assess and manage risks, could lead to losses which may have an adverse effect on the Issuer's future business, prospects, financial condition and results of operations.

The Issuer depends on the accuracy and completeness of information provided by the Issuer's potential borrowers. The Issuer's reliance on any misleading information given by potential borrowers may affect its judgment of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect the Issuer's business, results of operations and financial condition

In deciding whether to extend credit or enter into other transactions with potential borrowers, the Issuer relies on information furnished by potential borrowers, and analysis of the information by independent valuers and advocates. To further verify the information provided by potential borrowers, the Issuer conducts searches on Credit Information Bureau (India) Limited (CIBIL) and other credit bureaus for creditworthiness of the Issuer's borrowers. For ascertaining the creditworthiness and encumbrances on collateral the Issuer may depend on third

parties such as the respective registrars and sub-registrars of assurances, credit information companies or credit bureaus, and on independent or professional valuers in relation to the value of the collateral, and the Issuer's reliance on any misleading information given may affect its judgement of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect the Issuer's business, prospects, results of operations and financial condition. The Issuer follows the Know Your Customer (KYC) guidelines as applicable to HFCs on the potential borrower, verifies the place of business or place of employment as applicable to the potential borrower and also verifies the details with the caution list of the NHB as circulated from time to time. Such information includes representations with respect to the accuracy and completeness of information relating to the financial condition of potential borrowers, and independent valuation reports and title reports with respect to the property secured. Additionally, once a prospective borrower has submitted a completed loan application, the Issuer's empanelled third-party agencies conduct various on-site checks to verify the prospective customer's work and home addresses. Further, the RBI, by way of notification dated 19 May 2020 bearing no. DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20, extended the applicability of the Master Direction – Know Your Customer (KYC) Direction, 2016, to HFCs (**KYC Master Directions**). The KYC Master Directions has been repealed and replaced by the HFC Directions 2021 with effect from 17 February 2021. The Issuer has framed certain of its policies in accordance with the KYC guidelines for HFCs issued by NHB and RBI mandating the policies of HFCs to have certain key elements, including, *inter alia*, a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management. Further, the Issuer has a well-established and streamlined credit appraisal process. However the Issuer cannot provide assurance that information furnished by potential borrowers and analysis of the information by independent valuers or the independent searches conducted by the Issuer with credit bureaus and NHB, or the on-site verification conducted by the Issuer's empanelled third party agencies will be accurate, and its reliance on such information given by potential borrowers may affect its judgment of the credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect the Issuer's business, results of operations and financial condition.

***Borrowing for the purchase or construction of property may not continue to offer borrowers the same fiscal benefits it currently offers and the housing sector may not continue to be regarded as a priority sector by the Government, which may adversely affect the Issuer's business, prospects, financial condition and results of operations***

The rapid growth in the housing finance industry in India in the last decade is in part due to the introduction of fiscal benefits for homeowners. Since the early 1990s, interest and principal repayments on capital borrowed for the purchase or construction of housing have been tax deductible up to certain limits, and tax rebates have been available for borrowers of such capital up to specified income levels. There can be no assurance that the Government will continue to offer such tax benefits to borrowers at the current levels or at all. In addition, there can be no assurance that the Government will not introduce tax efficient investment options which are more attractive to borrowers than property investment. The demand for housing and/or housing finance may be reduced if any of these changes occur.

The RBI has also provided incentives to the housing finance industry by extending priority sector status to housing loans. In addition, pursuant to Section 36(1)(viii) of the IT Act, up to 20 per cent. of profits from the provision of long-term finance for the construction or purchase of housing in India, may be carried to a "**Special Reserve**" and are not subject to income tax (subject to the limit of 200 per cent. of the paid-up share capital and general reserve on the last day of the previous year minus the balance of the special reserve account on the first day of the previous year). There can be no assurance that the Government will continue to make this fiscal benefit available to HFCs. If it does not, this may result in a higher tax outflow.

***The Issuer is party to certain legal proceedings, including disputes with the Indian tax authorities with respect to certain income tax demands, which, if determined against it, could affect its profitability, financial condition and results of operations***

The Issuer is involved in several legal proceedings in the ordinary course of its business, such as consumer disputes, debt-recovery proceedings, proceedings under the SARFAESI Act, income tax proceedings, civil

disputes and criminal proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. A significant degree of judgment is required to assess the Issuer's exposure in these proceedings and determine the appropriate level of provisions, if any. There can be no assurance on the outcome of the legal proceedings, or that the provisions the Issuer makes will be adequate to cover all the losses it may incur in such proceedings, or that its actual liability will be as reflected in any provision that it has made in connection with any such legal proceedings.

The Issuer's dispute with the Indian tax authorities relates to the computation of the profit derived from the business of long-term housing finance eligible for this special deduction (see "*Litigation*"). The dispute revolves around the correct classification of eligible incomes and related expenses that constitute the long-term housing finance business. Based on advice received from its tax advisers, the Issuer believes that the dispute will more likely than not be settled in its favour. Nonetheless, as at 31 March 2021, the Issuer has a contingent liability in respect of all the disputed income tax demands up to the amount of Rs. 20.64 billion. The Issuer has already paid this amount to the Indian tax authorities and will receive this amount, or a part thereof, as a refund if the disputes are resolved in the Issuer's favour. If the disputes were to be decided in favour of the tax authorities, although there would be no further payment required by the Issuer, the amount of Rs. 20.64 billion would have to be added as a provision for tax and this would accordingly reduce the Issuer's profit after tax by a corresponding amount.

Although the Issuer intends to defend or appeal these proceedings it will be required to devote management and financial resources in their defence or prosecution. If a significant number of these disputes are determined against it and if it is required to pay all or a portion of the disputed amounts or is unable to recover amounts for which it has filed recovery proceedings, there could be an adverse impact on its reputation, business, financial condition and results of operations. For further details on outstanding material litigation, please see "*Description of the Issuer and the Group - Litigation*".

***The Issuer may be requested to make payments pursuant to the corporate undertakings in the Issuer's assignment of receivables transactions which may require payments in respect of these undertakings which may adversely affect the Issuer's net income***

The Issuer has provided credit enhancement for some of its assignment of receivables. Contingent liability in respect of corporate undertakings provided by the Issuer for assignment of receivables aggregated to Rs. 11.53 billion as on Fiscal 2021, consistent with the amount for Fiscal 2020. The outflow would arise in the event of a shortfall, if any, in the cash flows of the underlying pool of the assigned receivables. If the Issuer continues to provide credit enhancement in its future assignment of receivables, its financial condition and results of operations may be adversely affected in the event of any shortfall.

***The Issuer will be subject to a number of new accounting standards that may significantly impact its financial statements, which may adversely affect the manner in which it accounts for losses and its results of operations***

The Ministry of Corporate Affairs (MCA), in its press release dated 18 January 2016, issued a roadmap for implementation of Ind AS converged with IFRS for non-banking financial companies, scheduled commercial banks, insurers, and insurance companies, which was subsequently confirmed by the RBI through its circular dated 11 February 2016. MCA via its notification dated 30 March 2016, has included Housing Finance Companies in the definition of a "Non-Banking Financial Company" (NBFCs). The notification further explains that NBFCs having a net worth of Rs. 5 billion or more as of 31 March 2016, shall comply with Ind AS for accounting periods beginning on or after 1 April 2018, with comparatives for the periods ending on 31 March 2018. Ind AS has been notified and made applicable to HFCs, including the Issuer, with effect from 1 April 2018. Further, NHB has clarified through its circular dated 14 June 2018 that HFCs are required to comply with the provisions of Ind AS, as notified by MCA, including the date of implementation notified by the MCA. NHB has directed that HFCs are expected to adopt sound methodologies, systems/ procedures commensurate with the size, complexity, risk profile etc., specific to them while implementing Ind AS. Therefore, the Issuer is subject to this notification.

Accordingly, the audited financial statements of the Issuer incorporated by reference in this Offering Circular are presented in accordance with Indian Accounting Standards (**Ind AS**) for the years ended 31 March 2019 and 31 March 2020. The selected financial information presented in this Offering Circular, including in the section entitled “*Selected Financial Information*” and in this section “*Risk Factors*” is derived from the Issuer's 2020 Financial Statements which were prepared in accordance with Ind AS.

In making an investment decision, investors must rely upon their own examination of the Issuer's business, the terms of the offerings and the financial information included in this Offering Circular. The Issuer cannot assure that it has completed a comprehensive analysis of the effect of Ind AS on future financial information or that the application of Ind AS will not result in a materially adverse effect on the Issuer's future financial information.

***The Issuer is subject to periodic inspections by the NHB. Non-compliance with the NHB's observations made during any such inspections could adversely affect the Issuer's reputation, financial condition and results of operations***

The Issuer is subject to periodic inspection by the NHB under the NHB Act wherein the NHB inspects the Issuer's books of accounts and other records for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for obtaining any information which the Issuer may have failed to furnish on being called upon to do so. Inspection by the NHB is a regular exercise and is carried out periodically by the NHB for all housing finance institutions under the NHB Act. In the past, the NHB had made certain observations during its periodic inspections in connection with the Issuer's operations and had sought clarifications. Even though the Issuer has provided the NHB with necessary clarifications, and taken necessary steps to comply with the NHB's observations, any adverse notices or orders by the NHB during any future inspections could adversely affect the Issuer's reputation, business, financial condition, results of operations and cash flows. For further details of outstanding show cause notices issued by NHB, please see “*Description of the Issuer and the Group - Litigation*”.

***The Issuer's inability to obtain, renew or maintain its statutory and regulatory permits and approvals required to operate its business may materially and adversely affect the Issuer's business and results of operations***

The Issuer requires certain licenses, approvals, permits and registrations in order to carry on its business activities. These include registration with the NHB for carrying out business as a HFC. The Issuer is also required to maintain licenses under various applicable national and state labour laws in force in India for some of the Issuer's offices and with regard to some of its employees. While the Issuer currently possesses all the relevant licenses, approvals, permits and registrations or has applied for renewals of certain licenses and approvals that have expired, there can be no assurance that the relevant authorities will renew these in the anticipated time-frame, or at all. Additionally, failure by the Issuer to comply with the terms and conditions to which such licenses, approvals, permits or registrations are subject, and/or to renew, maintain or obtain the required licenses, approvals, permits or registrations may result in the interruption of the Issuer's operations and may have a material adverse effect on the Issuer's business, financial condition and results of operations.

***A failure, inadequacy or security breach in the Issuer's information technology and telecommunication systems may adversely affect the Issuer's business, results of operation and financial condition***

The Issuer's ability to operate and remain competitive depends in part on its ability to maintain and upgrade its information technology systems and infrastructure on a timely and cost-effective basis, including the Issuer's ability to process a large number of transactions on a daily basis. The Issuer's operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Issuer's financial, accounting or other data processing systems and management information systems or its corporate website may fail to operate adequately or become disabled as a result of events that may be beyond the Issuer's control, including a disruption of electrical or communications services. Further, the Issuer's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other attacks that may compromise data integrity and security and result in client information or identity theft, for which the Issuer

may potentially be liable. Further, the information available to and received by the Issuer's management through its existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in the Issuer's operations. If any of these systems are disabled or if there are other shortcomings or failures in the Issuer's internal processes or systems, it may disrupt its business or impact its operational efficiencies, and render it liable to regulatory intervention or damage to its reputation. The occurrence of any such events may adversely affect the Issuer's business, results of operation and financial condition.

***Significant differences exist between Ind AS and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards (IFRS), which investors may be more familiar with and may consider material to their assessment of the Issuer's financial condition***

No attempt has been made to reconcile any of the information given in this Offering Circular to any other principles or to base it on any other standards, Ind AS differs in certain significant respects from IFRS and U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If the Issuer's financial statements were to be prepared in accordance with such other accounting principles, the Issuer's results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of the Issuer's financial statements of the Issuer included in this Offering Circular, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. For more information, see risk factor "The Issuer will be subject to a number of new accounting standards that may significantly impact its financial statements, which may adversely affect the manner in which it accounts for losses and its results of operations".

***The Indian tax regime is currently undergoing substantial changes which could adversely affect the Issuer's business and the trading price of the Notes***

The Goods and Service Tax (GST) implemented with effect from 1 July 2017 combines taxes and levies by the GoI and state governments into a unified rate structure, and replaces indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, cess and surcharge that were being collected by the GoI and state governments. The rate of GST on financial services, excluding interest revenue, is 18 per cent. compared to the 15 per cent. service tax rate that was payable before the implementation of GST. Further, the Issuer is required to restrict GST input tax credit to the extent of 50 per cent. of the eligible input tax credit as per the GST law. The implementation of GST may have resulted in an overall increase in the Issuer's tax expenses.

In addition, under the GST regime, the Issuer is obliged to pass on any incremental benefits accruing to it as result of the transition to GST to the consumer thereby limiting the Issuer's benefits. Further, in order for the Issuer to avail input credit under GST, the entire value chain has to be GST compliant, including the Issuer. As GST is a relatively recent law, it continues to evolve and undergo substantial changes on a frequent basis. As a result, the consequent effects of the GST cannot be determined at present and there can be no assurance that such effects would not adversely affect the Issuer's business, future financial performance and the trading price of the Notes.

***The Real Estate (Regulation and Development) Act, 2016 (the RERA) was introduced to regulate the real estate industry and ensuring, among others, imposition of certain responsibilities on real estate developers and accountability towards customers and protection of their interest. Any slowdown in the housing finance industry as a result of RERA may adversely affect the Issuer's business operations, financial condition, results of operations and financial condition***

The Government has notified the RERA in the official gazette on 26 March 2016. The RERA was introduced to regulate the real estate industry and ensuring, among others, imposition of certain responsibilities on real estate developers and accountability towards customers and protection of their interest. The RERA imposes certain obligations on real estate developers, including mandatory registration of real estate projects, prohibition on

advertisements or accepting advances unless real estate projects are registered under RERA, maintenance of a separate escrow account for amounts realised from each real estate project and restrictions on withdrawal of amounts from such escrow accounts and taking customer approval for major changes in sanctions plan. In addition, real estate developers will have to comply with state specific legislations which may be enacted by the respective state government due to the introduction of RERA. Any slowdown in the housing finance industry as a result of RERA may adversely affect the Issuer's business operations, financial condition, results of operations and financial condition.

## **Risks relating to India**

### ***Reduced economic growth in India may adversely affect the Issuer's business and results of operations***

The Issuer's financial performance and the quality and growth of its business depend significantly on the health of the overall Indian economy, the gross domestic product growth rate and the economic cycle in India. Substantially all of the Issuer's assets and employees are located in India, and the Issuer intends to continue to develop and expand in India.

The Issuer's performance and the growth of its business depend on the performance of the Indian economy and the economies of the regional markets the Issuer currently serves. These economies could be adversely affected by various factors, such as political and regulatory changes including adverse changes in liberalisation policies, social disturbances, widespread job losses, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect the ability of the Issuer's customers to afford its services, which in turn would adversely impact the Issuer's business and financial performance and the price of the Notes.

### ***Financial instability in other countries may cause increased volatility in Indian financial markets***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in the United States, in Europe, and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm the Issuer's business, future financial performance and the prices of the Notes. The global financial markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years.

Developments in the Eurozone had exacerbated the global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Financial markets and the supply of credit could continue to be negatively impacted by on-going concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. On 23 June 2016, the United Kingdom held a referendum on its membership of the European Union and voted to leave (**Brexit**). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The UK and the European Union had a transition period to negotiate, among others, trade agreements in details, which ended on 31 December 2020. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which has applied from 1 January 2021. The EU-UK Trade and Corporation Agreement was ratified by the UK



Parliament on 30 December 2020 and by the EU Parliament on 28 April 2021. The EU-UK Trade and Co-operation Agreement has been fully applicable since 1 May 2021. Although the formalisation of the EU-UK Trade and Co-operation Agreement has provided some clarity on Brexit, there are still several uncertainties that remain in relation to the future of the United Kingdom and its relationship with the EU.

These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States, Europe and global credit and financial markets.

In addition, any announcement by the United States to increase interest rates may lead to an increase in the borrowing costs in the United States which may in turn impact global borrowing as well. Furthermore, in several parts of the world, there are signs of increasing retreat from globalisation of goods, services and people, as pressure for the introduction of a protectionist regime is building and such developments could adversely affect Indian exports. This and any prolonged financial crisis may have an adverse impact on the Indian economy, and in turn on the Issuer's business and financial performance and the price of the Notes.

In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current difficult conditions in the global credit markets continue or if there is any significant financial disruption, this could have an adverse effect on the Issuer's business, future financial performance and the trading price of the Notes.

***Any adverse change in India's credit rating by an international rating agency could adversely affect the Issuer's business and profitability***

India's sovereign rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside the Issuer's control. On 7 November 2019, Moody's Investor Services downgraded the outlook on the Government of India's ratings from "stable" to "negative". On 1 June 2020, Moody's Investor Services downgraded India's sovereign rating from Baa2 to Baa3. However, on 10 June 2020, Standard and Poor's maintained its India rating unchanged at the lowest investment grade of BBB-, with a stable outlook. Going forward, the sovereign ratings outlook will remain dependent on whether the Government is able to transition the economy out of a low-growth and high inflation environment, as well as exercise adequate fiscal restraint. There is no assurance that India's credit ratings will not be downgraded in the future. Any adverse change in India's credit ratings by international rating agencies may adversely impact the Issuer's business and limit its access to capital markets.

***Financial instability in the non-banking financial sector and concerns over liquidity and cost of funds are having a negative effect on the Indian economy which, in turn, could adversely impact the Issuer***

India has been witnessing a huge surge in consumer leverage in recent years and the non-bank financial intermediaries have been growing this lending faster than banks. Additionally, there are concerns over liquidity and possible asset liability mismatches in the non-banking financial sector. For instance, Infrastructure Leasing and Financial Services (**IL&FS**), in which various corporates, as well as mutual funds and insurance firms, had invested through short-term instruments like commercial papers and NCDs, has defaulted on several of its debt-obligations since August, 2018. There are concerns that many NBFCs could suffer losses from IL&FS debt instruments.

Further, in June 2019, Dewan Housing Finance Corporation Ltd. (**DHFL**), one of the largest mortgage financiers primarily dealing with long-term housing loans who borrowed from financial institutions such as insurance companies and mutual funds by issuing commercial papers to lend to the public, defaulted on its debt payments and its commercial paper rating was downgraded to 'D' overnight. In November 2019, the RBI superseded the *erstwhile* board of directors of DHFL in exercise of its powers conferred under Section 45-IE(2) of the RBI Act

owing to governance concerns and defaults by DHFL in meeting various payment obligations. Thus, by initiating insolvency proceedings against DHFL, DHFL became the first NBFC to undergo a corporate insolvency resolution process (**CIRP**).

For example, in March 2020, the Issuer along with seven other Indian private and public sector commercial banks invested equity capital in RBI's 'Yes Bank Reconstruction Scheme'. This was a collective effort of the government, RBI and investors to infuse capital in Yes Bank with the broader objective of retaining financial system stability. The Issuer invested in Rs. 1 billion equity shares of face value of Rs.2 each for a consideration of Rs. 10 per share (premium of Rs. 8 per share), aggregating Rs. 10 billion. As per the scheme, 25 per cent. of the Issuer's equity shares are free, while 75 per cent. are locked-in for a period of 3 years.

Further, the Covid-19 pandemic has increased the risks to financial stability. NBFCs, which are primarily dependent on bank borrowings for funding, have been undergoing asset quality stress during the pandemic. The asset quality of NBFCs is expected to deteriorate further due to business disruptions caused by Covid-19 (Source: *Financial Stability Report, July 2021, RBI*).

In light of the prevailing condition in the NBFC sector, RBI *vide* circular no. RBI/DNBS/2016-17/49 dated 29 September 2016 has issued Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (**2016 Directions**) in order to put in place a reporting system for recording frauds without any delay and to fix staff accountability in respect of delays in the reporting of fraud cases to the RBI. In terms of the 2016 Directions, HFCs are required to strictly adhere to the timeframe fixed in this Direction for reporting fraud failing which, applicable NBFCs would be liable for penal action. HFCs are required to specifically nominate an official of the rank of general manager or equivalent who will be responsible for submitting all the returns to the NHB and reporting in terms of the 2016 Directions. Further, in case no frauds are detected, HFCs are not required to submit a 'Nil' report to Frauds Monitoring Cell/Regional Offices of Department of Non-Banking Supervision of the RBI. For further details, please refer to “*Key Regulation and Policies—Directions on Reporting and /monitoring of Frauds in NBFCs*”.

#### ***The new bankruptcy code in India may affect the rights of the Noteholders***

It is to be noted that the Bankruptcy Code does not apply to the Issuer (as it will be classified as a financial service provider), and accordingly the holders of Notes will not be able to initiate any insolvency or winding up proceedings against the Issuer, even if the Issuer is in default of its payment obligations, under the Bankruptcy Code.

However, pursuant to the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 and Ministry of Corporate Affairs Notification S.O. 4139(E) dated 18 November 2019, the RBI can now commence corporate insolvency resolution process against NBFCs, such as the Issuer with an asset size of at least Rs. 5 billion. Furthermore, any such NBFC may commence voluntary liquidation under the Indian Bankruptcy Code with prior RBI permission. Accordingly, if the said provisions are invoked against the Issuer, its ability to pay back its creditors, including the holders of the Notes, may be affected. The enforcement of the creditor rights of the holders of the Notes, will be subject to the said provisions.

Recently, to counter the impact of Covid-19, the Indian Government issued The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 (**Second Amendment of 2020**). Pursuant to the Second Amendment of 2020, no application for initiation of corporate insolvency resolution process of a corporate debtor can be filed for any default arising on or after 25 March 2020, for a period of six months or such further period not exceeding one year from such date, as may be notified in this behalf and no application shall ever be filed for initiation of corporate insolvency resolution process of a corporate debtor for the said default occurring during the said period. The Second Amendment of 2020 also provides that no application shall be filed by a resolution professional under Section 66 (2) of the IBC, in respect of a corporate debtor against which initiation of corporate insolvency resolution process is suspended as per the Second Amendment of 2020. Section 66(2) of the IBC provides that on

an application made by a resolution professional during the corporate insolvency resolution process, the adjudicating authority under the IBC may by an order direct that a director or partner of the corporate debtor, as the case may be, shall be liable to make such contribution to the assets of the corporate debtor as it may deem fit, if (a) before the insolvency commencement date, such director or partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of a corporate insolvency resolution process in respect of such corporate debtor; and (b) such director or partner did not exercise due diligence in minimising the potential loss to the creditors of the corporate debtor.

An insolvency proceeding relating to the Issuer, even if brought in a jurisdiction outside India, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in jurisdictions outside India. Accordingly, the rights of Noteholders are also affected pursuant to the Second Amendment of 2020.

***Volatility in the exchange rates may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact the Issuer***

Capital inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. The current account balance (CAB) recorded a surplus of 0.9 per cent. of GDP in Fiscal 2021, against a deficit of 0.9 per cent. of GDP in Fiscal 2020. This increase was primarily on account of a higher trade deficit brought about by a larger increase in merchandise imports relative to exports. A trade shortfall puts pressure on the current account deficit and is a key vulnerability for the economy. In calendar year 2020 to date, the Rupee has been very volatile. Given the Rupee is less vulnerable given the improvements in the CAD and visible moderation in inflation rates, there remains a possibility of needing to intervene in the foreign exchange market to control volatility of the exchange rate. The need to intervene at that point in time may result in a decline in India's foreign exchange reserves and subsequently may reduce the amount of liquidity in the domestic financial system. This in turn could impact domestic interest rates.

***Political instability or changes in the Government in India could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally, which would impact the Issuer's financial results and prospects***

Since 1991, successive Indian Governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state Governments in the Indian economy as producers, consumers and regulators remain significant as independent factors in the Indian economy. Most recently, the election of a pro-business majority Government in May 2019 marked a distinct increase in expectations for policy and economic reforms among certain aspects of the Indian economy. There is no guarantee that the new Government will be able to enact an optimal set of reforms or that any such reforms would continue or succeed if there were a change in the current majority leadership in the Government in the future. There is also no guarantee that the Government will announce an optimal set of reforms or policies in the future. The rate of economic liberalisation is subject to change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in the Issuer's securities are continuously evolving as well. For example, as of the date hereof, the Government has implemented the goods and services tax and the general anti-avoidance rules. Any significant change in India's economic liberalisation, deregulation policies or other major economic reforms could adversely affect business and economic conditions in India generally and the Issuer's business in particular.

***Natural disasters could have a negative impact on the Indian economy and damage the Issuer's facilities***

Natural disasters such as floods, earthquakes or famines have in the past had a negative impact on the Indian economy. If any such event were to occur, the Issuer's business could be affected due to the event itself or due to its inability to effectively manage the effects of the particular event. Potential effects include the damage to infrastructure and the loss of business continuity or business information. In the event that the Issuer's facilities

are affected by any of these factors, its operations may be significantly interrupted, which may materially and adversely affect the Issuer's business, financial condition and results of operations.

***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely impact the Issuer's business, could lead to a decrease in the trading price of the Notes and could lead to a loss of confidence, which could impair travel and which could reduce its customers' appetite for its products and services***

Terrorist attacks, such as those in Mumbai in November 2008 and other acts of violence or war may negatively affect the Issuer's business, the trading price of the Notes could decrease and the worldwide financial markets may also be adversely affected. These acts may also result in a loss of business confidence, make travel and other services more difficult and as a result ultimately adversely affect its business. In addition, any deterioration in relations between India and Pakistan or between India and China might result in investor concern about stability in the region, which could adversely affect the trading price of the Notes.

In June 2020, the clash between China and India in the Galwan River Valley resulted in numerous fatalities, which led to increased tension between the two countries. Further, India has also experienced social unrest in some parts of the country. India has also witnessed civil disturbances in recent years, and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on the Issuer. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on its business.

#### **Risks Relating to an Investment in the Notes**

##### ***Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- note that the Notes are not rated by any rating agency.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions,

the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***Remittances of funds outside India pursuant to an indemnification by the Issuer or other payments in relation to the Notes requires prior RBI approval***

Remittance of funds outside India by the Issuer pursuant to indemnity clauses or other similar payments under the Trust Deed or any other agreements in relation to the Notes requires prior RBI approval. Any approval, if and when required, for the remittance of funds outside India is at the discretion of the RBI, and the Issuer can give no assurance that it will be able to obtain such approvals.

***Payments made on the Notes will be subordinated to certain tax and other liabilities preferred by law***

The Notes will be subordinated to certain liabilities preferred by law such as to claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Issuer's transactions. In particular, in the event of bankruptcy, liquidation or winding-up, the Issuer's assets will be available to pay obligations on the Notes only after all of those liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes. Further, there is no restriction on the amount of debt securities that the Issuer may issue that may rank above the Notes. The issue of any such debt securities may reduce the amount recoverable by investors in the Notes on the Issuer's bankruptcy, winding-up or liquidation.

***The insolvency laws of India may differ from bankruptcy laws of other jurisdictions with which Noteholders are familiar***

The Issuer is incorporated under the laws of India. Therefore, any insolvency proceeding relating to the Issuer, even if brought in a jurisdiction outside India, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in jurisdictions outside India.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Modification, waivers and substitution***

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification (except Basic Terms Modifications (as defined in the Trust Deed)) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Trust Deed, or the Agency Agreement (ii) determine, without the consent of the Noteholders, that any Event of Default shall not be treated as such, or make any modification which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error, in the circumstances described in "*Terms and Conditions of the Notes*".

The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer as the principal debtor in respect of the Notes and the Trust Deed of an entity owned or controlled by the Issuer.

***The Notes are subject to the risk of change in law***

The Terms and Conditions of the Notes are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes, and any such change could materially and adversely impact the value of any Notes affected by it.

***Developments in other markets may adversely affect the market price of the Notes***

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Indian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including India. If developments similar to the sub-prime mortgage crisis in 2008 occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

***The Notes may have limited liquidity***

The Notes constitute a new issue of securities for which there is no existing market. Applications have been made to list the Notes on the ISM of the London Stock Exchange.

The offer and sale of the Notes is not conditional on obtaining a listing of the Notes on the regulated market of the ISM of the London Stock Exchange or any other exchange.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop, or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued, depending on many factors, including:

- prevailing interest rates;
- the Issuer's results of operations and financial condition;
- political and economic developments in and affecting India;
- the market conditions for similar securities; and
- the financial condition and stability of the Indian vehicle finance sector.

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

***Notes where denominations involve integral multiples: definitive Notes***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant

time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

***Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system***

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***Definitive Notes not being available in certain minimum denominations***

In relation to any issue of Notes which have a denomination consisting of the minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of the minimum specified denomination (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified minimum denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

***The liquidity and price of the Notes following the offering may be volatile***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There can be no assurance that these developments will not occur in the future.

***The Issuer will be subject to applicable corporate disclosure standards for debt securities listed on the ISM of the London Stock Exchange, which standards may be different from those applicable to debt securities listed in certain other countries***

The Issuer will be subject to reporting obligations in respect of the Notes to be listed and admitted on the ISM of the London Stock Exchange. The disclosure standards imposed by the London Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

***Noteholders' right to receive payments is junior to certain tax and other liabilities preferred by law***

The Notes will rank subordinated to certain liabilities preferred by law, such as claims of the Government on account of taxes and certain liabilities incurred in the ordinary course of the Issuer's business. Additionally, the Bankruptcy Code prescribes the waterfall mechanism in terms of priorities, when liquidation proceedings are initiated under the Bankruptcy Code, which are as follows:

- (i) the insolvency resolution process costs and the liquidation costs paid in full;
- (ii) debt owed to secured creditors (who have relinquished their security interest) and workmen dues for the preceding 24 months, ranked pari passu;
- (iii) wages and unpaid dues owed to employees for the preceding 12 months;
- (iv) financial debts owed to unsecured creditors, if the security has been realised;
- (v) remaining debts and dues, which include, unsecured operational debts;
- (vi) preference shareholders; and
- (vii) equity shareholders.

In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

***Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

***The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction***

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may have an impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

***Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)***

Under the ECB Guidelines, any redemption of Notes prior to its stated maturity requires the prior approval of the RBI or an AD Bank, as the case may be. Therefore, any repayment of Notes prior to maturity as a result of early redemption pursuant to the Terms and Conditions of the Notes (Condition 7.2 (*Redemption for Tax Reasons (Issuer Tax Call)*), Condition 7.3 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 7.4 (*Redemption at the option of the Noteholders (Investor Put)*) or acceleration of Notes upon an Event of Default



pursuant to Condition 10 (*Events of Default and Enforcement*)) would require the prior approval of the RBI or an AD Bank, as the case may be. Additionally, in terms of the ECB Guidelines, changes in the terms and conditions of ECB allowed by the AD Bank under the powers delegated and/or changes approved by the RBI, including reduced repayment by mutual agreement between the lender and borrower, is required to be reported to the DSIM through revised Form ECB at the earliest, in any case not later than seven days from the changes effected. Any such changes should be specifically mentioned in the revised Form ECB. Additionally, the borrowers are required to report actual ECB transactions through Form ECB 2 Return through the AD Category I bank on a monthly basis so as to reach DSIM within seven working days from the end of the month to which it relates. Changes, if any, in ECB parameters is required to be incorporated in Form ECB 2 Return. There can be no assurance that such approval would be obtained in a timely manner or at all. In the absence of such an approval, the Issuer may not be able to redeem all or any of the Notes prior to maturity. Further, any modification or waiver of the Terms and Conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the automatic route for issue of Notes under the ECB Guidelines will require prior approval from the RBI in accordance with the ECB Guidelines, and such approval may not be forthcoming.

### **Risks Related to the Market Generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and interest rate risk:

#### ***Payments of principal and interest are subject to exchange rate risks and exchange controls***

For foreign currency denominated Notes, the Issuer will pay principal and interest on the Notes in such foreign currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than such foreign currency. These include the risk that exchange rates may significantly change (including changes due to the devaluation of such foreign currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to such foreign currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. See "*— Rupee denominated Notes are subject to exchange rate risks and exchange controls*" for details of the exchange rate risks associated with an investment in Rupee denominated Notes.

#### ***Investment in the Notes is subject to interest rate risks***

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### ***Notes subject to optional redemption***

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when the Issuer's cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a

significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Inverse Floating Rate Notes***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which would further adversely affect the market value of those Notes.

### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than would conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

### ***Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected***

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the **Specified Currency**). This presents certain risks relating to currency conversions if the Investor's Currency is a currency other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

***Changes in market interest rates may adversely affect the value of Fixed Rate Notes***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***If the Issuer is unable to comply with the restrictions and covenants in its debt agreements or the Trust Deed, there could be a default under the terms of these agreements or the Trust Deed, which could cause repayment of its debt to be accelerated***

If the Issuer is unable to comply with the restrictions and covenants in the Trust Deed, or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's debt agreements, including the Trust Deed, contain cross-acceleration or cross-default provisions. Any early redemption, prior to completion of the minimum maturity period specified under the ECB Guidelines would require the prior approval of the RBI. Additionally, in terms of the ECB Guidelines, changes in the terms and conditions of ECB allowed by the AD Bank under the powers delegated and/or changes approved by the RBI, including reduced repayment by mutual agreement between the lender and borrower, is required to be reported to the DSIM through revised Form ECB at the earliest, in any case not later than seven days from the changes effected. Any such changes should be specifically mentioned in the revised Form ECB. Additionally, the borrowers are required to report actual ECB transactions through Form ECB 2 Return through the AD Category I bank on a monthly basis so as to reach DSIM within seven working days from the end of the month to which it relates. Changes, if any, in ECB parameters is required to be incorporated in Form ECB 2 Return. See “*Risk Factors*” — “*Risks Relating to an Investment in Rupee denominated Notes*” — “*Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Rupee denominated Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)*”.

As a result, the Issuer's default under one debt agreement or any delay in compliance with the filing requirements prescribed under the ECB Guidelines, may cause the acceleration of repayment of debt, subject to RBI approval, including the Notes, or result in a default under its other debt agreements, including the Trust Deed. If any of these events occur, the Issuer cannot assure the Noteholders that the Issuer's assets and cash flow would be sufficient to repay in full all of its indebtedness, or that the Issuer would be able to find alternative financing. Even if the Issuer could obtain alternative financing, the Issuer cannot assure the Noteholders that such financing would be on terms that are favourable or acceptable to the Issuer.

***The Issuer may not be able to meet its obligations to pay or redeem the Notes***

In certain circumstances, Noteholders may require the Issuer to redeem all or a portion of the Notes and the Issuer would be required to pay all amounts then due under the Notes. In particular, following an acceleration of the Notes upon an event of default, the Issuer would be required to pay all amounts then due under the Notes which the Issuer may not be able to meet. The Issuer may not be able to make required payments in connection with the Notes if the requisite regulatory approval for early redemption, prior to completion of the minimum maturity period specified under the ECB Guidelines is not received or if the Issuer does not have sufficient cash flows for those payments. See “*Risk Factors*” — “*Risks Relating to an Investment in Rupee denominated Notes*” — “*Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Rupee denominated Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)*”.

## **Risks applicable to certain types of Notes**

*There are particular risks associated with an investment in certain types of Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”***

Reference rates and indices, including interest rate benchmarks such as the euro interbank offered rate (**EURIBOR**) and LIBOR (each as defined below), which are deemed to be “benchmarks” and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The EU Benchmarks Regulation was published in the Official Journal of the European Union (**EU**) on 29 June 2016 and applied as of 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by UK supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA announced that all 35 LIBOR settings currently published by ICE will either cease to be provided or will no longer be representative immediately after (as applicable to the particular LIBOR benchmark) 31 December 2021, 29 December 2022 or 30 June 2023. The Bank of England and the FCA had previously announced, on 29 November 2017, that from January 2018, its Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Further, on 8 July 2021, the RBI issued an advisory to banks and other RBI-regulated entities emphasising the need for preparedness for the transition away from LIBOR and the key steps to be taken in this regard. As a result, banks and financial institutions are now encouraged to cease entering into new financial contracts that reference LIBOR as a benchmark and instead use any widely accepted alternative reference rate, as soon as practicable and in any case by 31 December 2021. Additionally, banks have also been advised to cease using the Mumbai Interbank Forward Outright Rate, a benchmark which references the LIBOR, as soon as practicable and in any event by 31 December 2021.

There are separate on-going workstreams to determine a euro risk free-rate as an alternative to EURIBOR. On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (€STR) as the new risk free rate. €STR has been published by the ECB since October 2019. Meanwhile, EURIBOR underwent a methodological reform in 2019 to make it compliant with the regulatory requirements outlined in the EU Benchmarks Regulation. It is now determined using a hybrid methodology rather than a purely quote-based method. Following a testing phase and public consultations, the hybrid methodology became applicable at the end of 2019, and the EMMI has received authorisation from the competent authority, meaning that the benchmark can continue to be used for new and legacy contracts after 3 January 2022. Nevertheless, the long-term sustainability of EURIBOR depends on factors such as the continued willingness of the panel of contributing banks to support it, the support of the regulator and the administrator and/or whether or not there is sufficient activity in its underlying market.

It is not possible to predict with certainty whether, and to what extent, any affected benchmark will continue to be supported going forwards. This may cause any affected benchmark to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as LIBOR or other relevant reference rates (including, without limitation, mid-swap rates and any page on which such benchmark may be published) becomes unavailable. Where the Rate of Interest is to be determined by reference to the Relevant Screen Page and the Relevant Screen Page is not available or the relevant rate does not appear on the Relevant Screen Page, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate (as defined in Condition 5.4(g)) is discontinued may adversely affect the value of, and return on, the Notes.

If a Benchmark Event (as defined in Condition 5.4(g)) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. After consulting with the Independent Adviser, the Issuer shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Issuer, the Terms and Conditions of the Notes provide that the Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Terms and Conditions of the Notes also provide that an Adjustment Spread may be determined by the Issuer and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event will result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an IBOR Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may adversely affect the value of, and return on, the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

## **Risks Relating to an Investment in Rupee denominated Notes**

### ***Rupee denominated Notes are subject to exchange rate risks and exchange controls***

India maintains a managed floating exchange rate system under which market forces determine the exchange rate for INR. Under the RBI's policies, the RBI may intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. The RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the INR and protecting its international reserves during times of impending or ongoing exchange crises or national emergencies.

The Rupee denominated Notes are denominated in INR but settled in U.S. dollars. Investors in the Rupee denominated Notes are required to pay the issue price for their Rupee denominated Notes in U.S. dollars at the prevailing exchange rate between INR and the U.S. dollar as at the pricing date of the Rupee denominated Notes. This entails risks which are not associated with a similar investment in a USD denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between INR and U.S. dollars if such currency risk is unhedged and the possibility of imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which the Issuer does not have any control. Recently, exchange rates have been volatile and such volatility is expected in the near future as well, so the risk pertaining to exchange rate fluctuation persists. However, the recent fluctuations in exchange rates are not indicative in nature.

The U.S. dollar return on the Rupee denominated Notes or yield to maturity will depend on the principal amount, the coupon and the premium converted into U.S. dollars at the prevailing exchange rate at the time of the relevant payments. Any volatility of the exchange rate between INR and the U.S. dollar during the term of the Rupee denominated Notes will affect the return on the Rupee denominated Notes in U.S. dollars. In particular, any devaluation of INR against the U.S. dollar during the term of the Rupee denominated Notes will decrease the U.S. dollar return on the Rupee denominated Notes and will result in the yield to maturity of the Rupee denominated Notes in U.S. dollars being less than the stated yield to maturity thereof, which is calculated in INR. In the event of a material devaluation of INR against the U.S. dollar, Noteholders may not receive the full U.S. dollar subscription money upon maturity or redemption of the Rupee denominated Notes. Rates of exchange between U.S. dollars and INR may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between INR and U.S. dollars.

Although substantially all of the Issuer's revenues are denominated in INR, it is required to settle all amounts due under the Rupee denominated Notes (including principal, premium, if any, as well as the interest and redemption payments) in U.S. dollars at the prevailing exchange rate between INR and the U.S. dollar at the time of payment.

Furthermore, overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with: (i) AD Category-I banks in India; (ii) offshore branches or subsidiaries of Indian Banks; or (iii) branches of foreign banks having a presence in India.

### ***The Notes are subject to selling restrictions and may be transferred only to a limited pool of investors***

Notes can only be issued to or offered as security to, and held by, investors who meet the Eligibility Requirements, being: (i) non-resident investors from jurisdictions that are FATF or IOSCO compliant (as defined below); and (ii) non-resident investors who are multilateral and regional financial institutions where India is a member country, which satisfy all other conditions set out in respect of eligible investors under the ECB Guidelines. While overseas branches and subsidiaries of banks incorporated in India are permitted to purchase, and hold, Notes issued in



foreign currency, they are not permitted to purchase or hold Rupee denominated Notes in any manner whatsoever, save and except as underwriters or arrangers or market makers or traders.

Jurisdictions which are FATF compliant are jurisdictions who are a member of the FATF or a member of a FATF-style regional body and which jurisdiction has not been identified in the public statement of the FATF as: (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies. Jurisdictions which are IOSCO compliant are jurisdictions whose securities market regulator is a signatory to the International Organisation of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to a bilateral Memorandum of Understanding with the SEBI for information sharing arrangements.

### ***Non-convertibility of Rupee***

The convertibility of a currency (including Rupee) is dependent, among other things, on international and domestic political and economic factors, and on measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or revaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of Rupee denominated Notes as well as any amount which may be payable upon redemption of Rupee denominated Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular shall be incorporated in, and form part of, this Offering Circular:

- (a) the Auditors report and audited consolidated annual financial statements of the Issuer as at and for the financial year ended 31 March 2021 as set out on pages 220 to 239 and 240 to 362, respectively, of the Issuer's Annual Report 2021 (**2021 Annual Report**);
- (b) the Auditors report and audited standalone annual financial statements of the Issuer as at and for the financial year ended 31 March 2021 as set out on pages 94 to 105 and 106 to 218, respectively, of the 2021 Annual Report;
- (c) the Auditors report and audited consolidated annual financial statements of the Issuer as at and for the financial year ended 31 March 2020 as set out on pages 216 to 233 and 234 to 356, respectively, of the Issuer's Annual Report 2020 (**2020 Annual Report**); and
- (d) the Auditors report and audited standalone annual financial statements of the Issuer as at and for the financial year ended 31 March 2020 as set out on pages 96 to 107 and 108 to 214, respectively, of the 2020 Annual Report.

The audited consolidated and standalone financial statements of the Issuer as at and for the financial years ended 31 March 2020 and 31 March 2021 have been prepared in accordance with Ind AS.

Ind AS differs in certain important respects from IFRS. For a discussion of the principal differences between IFRS and Ind AS as they relate the Issuer, see “*Summary of Significant Differences Between IFRS and Ind AS*”. Further transition adjustments may be required to these financial results including those arising from new or revised standards or interpretations issued by the Ministry of Corporate Affairs and National Housing Bank, as applicable.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified office of the Paying Agents for the time being in London and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States and, in certain instances, only to non-U.S. persons, in reliance on Regulation S.

Notes to be listed on the ISM of the London Stock Exchange will be accepted for clearance through Euroclear and Clearstream, Luxembourg.

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note** as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system to the satisfactory to the Trustee is available. The Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange. Any such

exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Pricing Supplement if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Notes.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Notes will be entitled, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Trustee any Paying Agent or the Registrar (each as defined under “*Terms and Conditions of the Notes*”) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under “— *Bearer Notes*”).

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Agency Agreement, and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

## APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes, whatever the denomination of those Notes, issued under the Programme.

[Date]

**Housing Development Finance Corporation Limited**

**Legal entity identifier (LEI): 335800OX2H9AP7NHLT64**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the**

**U.S.\$2,800,000,000**

**MEDIUM TERM NOTE PROGRAMME – CONTRACTUAL TERMS**

### CONTRACTUAL TERMS

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Regulation (EU) 2017/1129 (the **EU Prospectus Regulation**) or to supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer.]<sup>1</sup>

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the EUWA) (the **UK Prospectus Regulation**) or to supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.]<sup>2</sup>

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 28 July 2021 [as supplemented by the supplement[s] dated [date [s]]] (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date] [and the supplement dated [date]]] which are incorporated by reference in the Offering Circular.

**[MiFID II product governance / Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

<sup>1</sup> Do not include if the “Prohibition of Sales to EEA Retail Investors” legend is included (because the Notes potentially constitute “package products” and no key information document will be prepared” and the related selling restriction is specified to be “Applicable”).

<sup>2</sup> Do not include if the “Prohibition of Sales to UK Retail Investors” legend is included (because the Notes potentially constitute “package products” and no key information document will be prepared” and the related selling restriction is specified to be “Applicable”).

**[UK MiFIR product governance / Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018 (**EUWA**)][EUWA] (**UK MiFIR**)][UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II]/[Directive 2014/65/EU (as amended, **MiFID II**)]; (ii) a customer within the meaning of Directive 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **EU PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

**[UK PRIIPs Regulation / PROHIBITION OF SALES TO UK RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018 (**EUWA**)][EUWA]; or (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000, as amended (**FSMA**)][FSMA] and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97][the Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA][UK MiFIR]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**[Notification under Section 309B(1) of the Securities and Futures Act, Chapter 289 of Singapore** – The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>3</sup>

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

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<sup>3</sup> Issuer to confirm classification of the Notes at the point of drawdown.

1. Issuer:..... Housing Development Finance Corporation Limited
  
2. (a) Series Number: ..... [       ]
  
- (b) Tranche Number: ..... [       ]
  
- (c) Date on which the Notes will be consolidated and form a single Series: ..... The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [       ] below, which is expected to occur on or about [date]]/[Not Applicable].
  
3. Specified Currency or Currencies:..... [       ]
  
- [in case of a denomination in INR, the below is to be included:*
  
- The lawful currency of India (**Indian Rupees** or **INR**), provided that all payments in respect of the Notes will be made in United States Dollars (**USD**).]
  
4. Aggregate Nominal Amount:
  
- (a) Series: ..... [       ]
  
- (b) Tranche: ..... [       ]
  
5. (a) Issue Price: ..... [       ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
  
- [In case of a denomination in INR, the below is to be included:*
  
- The Issue Price will be payable in USD and will be based on the Aggregate Nominal Amount (in INR) divided by the conversion rate reported by the FBIL and displayed on Reference Rate Page of [Bloomberg/Reuters] page “[       ]” at approximately [       ] p.m., Mumbai, on [       ].]
  
- (b) Net Proceeds: ..... [       ]
  
- (c) Private bank rebate/selling commission: ..... [       ]
  
- (d) Discretionary fee: ..... [       ]
  
6. (a) Specified Denominations: ..... [       ] (N.B. Notes must have a minimum denomination of €100,000 or equivalent) (Note — where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)



*(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area or United Kingdom exchange; and (ii) only offered in the European Economic Area or United Kingdom in circumstances where a prospectus is not required to be published under either the EU Prospectus Regulation or the UK Prospectus Regulation, as applicable, the €100,000 or equivalent minimum denomination is not required.) (In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*

*[In case of a denomination in INR, the below is to be included:*

[INR[            ] and integral multiples thereof].

(b) Calculation Amount (in relation to the calculation of interest in global form see Conditions): .....

[            ]

*(If only one Specified Denomination, insert the Specified Denomination.*

*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: : .....

[            ]

(b) Interest Commencement Date: .....

[Specify/Issue Date/Not Applicable]

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: .....

[Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year].]

*[In case of a denomination in INR, the below is to be included:*

[            ] (subject to an adjustment in accordance with item 23 below).]

9. Interest Basis:.....

[[            ] per cent. Fixed Rate]

[[specify Reference Rate] +/- [            ] per cent.

Floating Rate]

[Zero Coupon]

[Index Linked Interest]

[Dual Currency Interest]

[specify other]

(further particulars specified below)

10. Redemption/Payment Basis: .....

[Redemption at par]

[Index Linked Redemption]

[Dual Currency Redemption]

[Partly Paid]

[Instalment]

[specify other]

11. Change of Interest Basis or Redemption/Payment Basis: ..... [Applicable/Not Applicable]

*(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis.)*

12. [Put/Call Options: ..... [Not Applicable]

[Investor Put]

[Issuer Call]

[(further particulars specified below)]

13. (a) Date of Board approval for issuance of Notes obtained: ..... [ ] [and [ ]], respectively]/[None required]

*(N.B. Only relevant where Board (or similar) approval or consent is required for the particular tranche of Notes.)*

(b) Date of regulatory approval/consent for issuance of Notes obtained: ..... [ ]/[None required]

*(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes.)*

14. Listing: ..... [[ ]/specify other/None]

*(N.B. Consider disclosure requirements under the EU Prospectus Regulation applicable to securities admitted to an EU regulated market.)*

15. Method of distribution: ..... [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions: ..... [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Rate(s) of Interest: ..... [ ] per cent. per annum payable in arrear on each Interest Payment Date.

(b) Interest Payment Date(s): ..... [ ] in each year up to and including the Maturity Date/[ ] (each as may be subject to adjustment in accordance with item 23 below).

(Amend appropriately in the case of irregular coupons)

- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): ..... [ ] per Calculation Amount.  
[In case of a denomination in INR, the below is to be included:  
INR[ ] per Calculation Amount, payable in USD by applying the following formula:  
INR[ ] divided by the Reference Rate.]
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): ..... [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/[Not Applicable]
- (e) Day Count Fraction: ..... [Actual/Actual (ICMA)]; [30/360]; [Actual/365 (Fixed)] [specify other]
- (f) Determination Date(s): ..... [[ ] in each year]/[Not Applicable] (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such case, insert regular interest payment dates, ignoring the issue date or maturity date in the case of a long or short first or last coupon)
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: ..... [None/Give details]
17. Floating Rate Note Provisions: ..... [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: ..... [ ] [, subject to an adjustment in accordance with the Business Day Convention set out in (b) below, or not subject to any adjustment, as the Business Day Convention in (b) below is specified to be not applicable.]
- (b) Business Day Convention: ..... [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]/Not Applicable]
- (c) Additional Business Centre(s): ..... [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/[Not Applicable]/[specify other]]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent): ..... [ ]
- (f) Screen Rate Determination: ..... [Applicable/Not Applicable]
- Reference Rate: ..... [ ] month [LIBOR/EURIBOR/specify other Reference Rate] (Either LIBOR, EURIBOR or other, although additional information required if other, including fallback provisions in the Agency Agreement).

- Interest Determination Date(s): ..... [ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)*

- Relevant Screen Page: ..... [ ] *(In the case of EURIBOR, if not Reuters EURIBOR 01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*

(g) ISDA Determination:

- Floating Rate: ..... [ ] Option:

- Designated Maturity: ..... [ ]

- Reset Date: ..... [ ]

*(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period.)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

(h) Linear Interpolation: [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

(i) Margin(s): ..... [+/-][ ] per cent. per annum

(j) Minimum Rate of Interest: ..... [ ] per cent. per annum

(k) Maximum Rate of Interest: ..... [ ] per cent. per annum

(l) Day Count Fraction: ..... [Actual/Actual (ISDA)] [Actual/Actual]

[Actual/365 (Fixed)]

[Actual/365 (Sterling)]

[Actual/360] [30/360] [360/360]

[Bond Basis]

[30E/360]

[Eurobond Basis]

[30E/360 (ISDA)]

[specify other]

(See Condition 5 for alternatives)

18. Zero Coupon Note Provisions: ..... [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: ..... [ ] per cent. per annum

(b) Reference Price: ..... [ ]

(c) Any other formula/basis of determining the amount payable for Zero Coupon Notes: ..... [ ]

(d) Day Count Fraction in relation to Early Redemption Amounts:..... [30/360] [Actual/360] [Actual/365] [specify other]

19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Index/Formula: ..... [Give or annex details]

(b) Calculation Agent: ..... [Give name]

(c) Calculation Agent responsible for calculating the interest due: ..... [ ]

(d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: ..... [ ] (Need to include a description of market disruption or settlement disruption events and adjustment provisions)

(e) Specified Period(s)/Specified Interest Payment Dates: ..... [ ]

(f) Business Day Convention: ..... [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]

(g) Additional Business Centre(s): ..... [ ]

(h) Minimum Rate of Interest: ..... [ ] per cent. per annum

(i) Maximum Rate of Interest: ..... [ ] per cent. per annum

(j) Day Count Fraction: ..... [ ]

20. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]

.....

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Rate of Exchange/method of calculating Rate of Exchange: ..... [Give or annex details]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and the Interest Amount (if not the Principal Paying Agent): .... [       ]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: ..... [       ]
- (d) Person at whose option the Specified Currency(ies) is/are payable: ..... [       ]

**PROVISIONS RELATING TO REDEMPTION**

21. [Issuer Call: ..... [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): ..... [       ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): ..... [       ] per Calculation Amount/specify other/see Appendix
- (c) If redeemable in part:
  - (i) Minimum Redemption Amount: [       ]
  - (ii) Maximum Redemption Amount: [       ]
- (d) Notice period: ..... Minimum period: [15] days

Maximum period: [30] days

*(N.B. If setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee).]*

22. [Investor Put: ..... [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): ..... [       ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): ..... [[       ] per Calculation Amount/specify other/see Appendix
- (c) Notice period: ..... Minimum period: [15] days

Maximum period: [30] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee).]*

23. Final Redemption Amount: ..... [ ] per Calculation Amount

*[In case of a denomination in INR, the below is to be included:*

The Final Redemption Amount per Calculation Amount will be payable in USD and determined by the Calculation Agent, on the Rate Fixing Date in respect of the Maturity Date, in accordance with Condition 7.1.]

24. Early Redemption Amount payable on redemption for taxation reasons or on an event of default and/or the method of calculating the same (if requires): ..... [[ ] per Calculation Amount/specify other/see Appendix] *[In case of a denomination in INR, the below is to be included:*

The Final Redemption Amount as determined in accordance with Condition 7.1, provided that, for purposes of such determination, the Scheduled Rate Fixing Date shall be the date that is two Fixing Business Days prior to the date upon which the Notes become due and payable.]]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes: ..... [Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event.]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]  
[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes only upon an Exchange Event.]

[Registered Notes:

Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common depository for Euroclear and Clearstream (*specify nominal amounts*).]

26. Additional Financial Centres: ..... [Not Applicable/give details]

*(Note that this item relates to the date of payment and not Interest Period end dates to which items 17(c) and 19(f) relate.)*

27. Talons for future Coupons to be attached to Definitive Notes: ..... [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: ..... [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues.]
29. Details relating to Instalment Notes: ..... [Not Applicable]
- (a) [Instalment Amount(s): ..... [Give details]]
- (b) [Instalment Date(s): ..... [Give details]]
30. Redenomination applicable: ..... [Applicable/Not Applicable]
31. Permitted Security Interest Date: ..... [ ]
32. Other terms or special conditions: ..... [Applicable/Not Applicable]

## DISTRIBUTION

33. (a) If syndicated, names of Managers: . [Applicable/give names]
- (b) Stabilising Manager(s) (if any): ..... [Applicable/give name(s)]
34. If non-syndicated, name of relevant Dealer: ..... [ ]
35. Whether TEFRA D or TEFRA C rules are applicable or TEFRA rules are not applicable: ..... [TEFRA D/TEFRA C/TEFRA rules are not applicable]
36. U.S. Selling Restrictions: ..... Regulation S, Category 2
37. Prohibition of Sales to EEA Retail Investors: ..... [Applicable/Not Applicable]
- (If Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)
38. Prohibition of Sales to UK Retail Investors: ..... [Applicable/Not Applicable]
- (If Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)
39. Additional selling restrictions: ..... [Not Applicable/give details]



**OPERATIONAL INFORMATION**

40. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): ..... [Not Applicable/give name(s) and number(s)]

41. Delivery: ..... Delivery [against/free of] payment

42. Additional Paying Agent(s) (if any): .... [ ]

ISIN: ..... [ ]

Common Code: ..... [ ]

Financial Instrument Short Name (FISN): ..... [ ]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

CFI: .....

**THIRD PARTY INFORMATION**

[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$2,800,000,000 Medium Term Note Programme of Housing Development Finance Corporation Limited.

Signed on behalf of Housing Development Finance Corporation Limited

By: \_\_\_\_\_  
*Duly authorised*

## PART B – OTHER INFORMATION

1. **LISTING:** ..... [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [the London Stock Exchange's International Securities Market (the **ISM**)]/[specify market — note this must not be a regulated market] with effect from [ ]]. [Not Applicable]

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealer] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business — Amend as appropriate if there are other interests.]

### 3. [USE OF PROCEEDS

Use of Proceeds: ..... [ ] [Other]

*(Only required if the use of proceeds is different to that stated in the Offering Circular)*

### 4. OPERATIONAL INFORMATION

(i) ISIN: ..... [ ]

(ii) Common Code: ..... [ ]

(iii) Any clearing system(s) other than Euroclear and Clearstream, and the relevant identification number(s): ..... [Not Applicable/give name(s) and number(s)]

(iv) Delivery: ..... Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): ..... [ ]

### 5. DISTRIBUTION

(i) Method of distribution: ..... [Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers: ..... [Not Applicable/give names]

(iii) Stabilisation Manager(s) (if any): ..... [Not Applicable/give name(s)]

(iv) If non-syndicated, name of relevant Dealer: ..... [Not Applicable/give name]

(v) U.S. Selling Restrictions: ..... Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA rules are not applicable]

(vi) Additional Selling Restrictions: ..... [Not Applicable/give details]

*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity linked Notes).*

## TERMS AND CONDITIONS OF THE NOTES

*As of the date of this Offering Circular prepared in connection with the Notes, the Issuer is only permitted to issue Indian Rupee denominated bonds overseas. The Issuer reserves the right to issue notes in other currencies overseas as and when permitted by the RBI.*

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

*The issuance of, and the Terms and Conditions in relation to, the Notes, once issued overseas, will be in accordance with applicable laws, including, but not limited to, the Indian Foreign Exchange Management Act, 1999 (**FEMA**) as amended or the rules and regulations issued thereunder, together with, (a) the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and circulars or notifications issued thereunder by the RBI, (b) the Indian Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations FED Master Direction No. 5/2018-19 dated 26 March 2019 issued by the RBI, as amended from time to time (the **Master Directions**), the (c) Indian Master Direction on Reporting under Foreign Exchange Management Act, 1999, dated 1 January 2016, and (d) any other applicable regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings, as construed in accordance with the RBI, in each case, as amended, modified, replaced or substituted from time to time pursuant to any rules, regulations, notifications, circulars, press notes or orders issued by the RBI or other Indian governmental agency in relation to external commercial borrowings (collectively, the **ECB Guidelines**).*

*For any redemption prior to the Maturity Date (as defined below) under the Conditions (as defined below) including, but not limited to, an Issuer Tax Call, Issuer Call, Investor Put or an Event of Default (each as defined in the Terms and Conditions of the Notes), the Issuer is required to obtain the prior approval of the RBI or the AD Bank (as defined herein), as the case may be, in accordance with the ECB Guidelines (as defined herein), before providing notice for or effecting a redemption prior to the Maturity Date, and such approval may not be provided. See “Risk Factors — Risks Relating to an Investment in the Notes — Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)”.*

*As provided in the Master Directions, any borrower is eligible to raise any external commercial borrowing (**ECB**) aggregating to a maximum of U.S.\$ 750,000,000 or its equivalent in a financial year, without obtaining prior approval from the RBI. In the event the Issuer intends to raise any external commercial borrowings in excess of such amount during a financial year, including pursuant to the Programme, the Issuer will be required to obtain approval from the RBI prior to drawing down such external commercial borrowings.*

This Note is one of a Series (as defined below) of Notes issued by Housing Development Finance Corporation Limited (the **Issuer**) and constituted by an amended and restated trust deed dated 12 February 2020 (as further modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and Citicorp International Limited (the **Trustee** which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

- (b) any Global Note in bearer form (a **Bearer Global Note**);
- (c) any Global Note in registered form (a **Registered Global Note**);
- (d) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and
- (e) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (as further modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 20 February 2019 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citibank, N.A., London Branch as transfer agent (the **Transfer Agent**, which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and Citigroup Global Markets Europe, AG as registrar (the **Registrar**, which expression shall include any successor registrar and together with the Paying Agents and Transfer Agents, the **Agents**).

Interest-bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the applicable Pricing Supplement are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee and the Principal Paying Agent. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Trustee and the Principal Paying Agent save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder

must produce evidence satisfactory to the Trustee or the Principal Paying Agent, as the case may be, as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1 FORM, DENOMINATION AND TITLE**

The Notes may be in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**) as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**), specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement and as per the applicable laws including but not limited to the ECB Guidelines.

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfer in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary or its nominee on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the

terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

## **2 TRANSFERS OF REGISTERED NOTES**

### **2.1 Maintenance of the Register**

A register of Notes (the **Register**) shall be maintained, which shall include the aggregate principal amount, serial numbers and dates of issue of Registered Notes, the names and addresses of the initial holders thereof and the dates of all transfers to, and the names and addresses of, all subsequent holders thereof, all cancellations of the Notes and all replacements of Notes. The Issuer shall have the right to obtain such records of the Register and the Issuer shall provide the same to the relevant authorities in India from time to time where required by such authorities.

### **2.2 Transfers of Interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### **2.3 Transfers of Registered Notes Generally**

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent from time to time may prescribe (such initial regulations being set out in Schedule 3 to the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

## **2.4 Registration of Transfer upon Partial Redemption**

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or a part Registered Note, called for partial redemption.

## **2.5 Costs of Registration**

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment by the transferee (or the giving of such indemnity by the transferee as the Registrar or the relevant Transfer Agent may reasonably require in advance of the registration of transfers) in respect of any tax or other governmental charges which may be imposed in relation to it, provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer effected in the Republic of India unless the Issuer is the counterparty directly liable for that documentary stamp tax.

## **3 STATUS**

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsubordinated and unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## **4 COVENANTS**

### **4.1 Negative Pledge**

So long as any of the Notes remain outstanding (as defined in the Trust Deed):

- (a) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenue, present or future, to secure any International Investment Securities (as defined below), or to secure any guarantee or indemnity in respect of any International Investment Securities; and
- (b) the Issuer will procure that no other person gives any guarantee of, or indemnity in respect of, any of the Issuer's International Investment Securities,

unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

For the purposes of these Conditions, **International Investment Securities** means any present or future indebtedness in the form of, or represented by, bonds, debentures or other debt securities which are for the time being quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter market, in each case outside India, and having an original maturity of more than one year from its date of issue payable or optionally payable in a currency other than Rupees or which are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside India by or with the authority of the Issuer.

#### **4.2 Consolidation, Amalgamation, Merger**

The Issuer may consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any entity or convey or transfer its assets substantially as an entirety to any person (the consummation of any such event, a **Merger**), provided that:

- (a) the Issuer shall be solvent immediately prior thereto (as confirmed by a certificate signed by two directors on behalf of the Issuer and delivered to the Trustee prior to such merger and which shall be binding on the Trustee and the Noteholders);
- (b) the Issuer shall have notified the Trustee and the Noteholders of such event;
- (c) the entity formed by such Merger or the person that acquired such properties and assets shall, upon consummation of the Merger, be solvent (as confirmed by a certificate stating that such will be the case signed by two directors on behalf of such entity and delivered to the Trustee prior to such merger and which shall be binding on the Trustee and the Noteholders) and shall expressly assume, by a supplemental trust deed, all obligations of the Issuer under the Trust Deed, the Agency Agreement and the Notes;
- (d) immediately after giving effect to any such Merger, no Event of Default shall have occurred or be continuing or would result therefrom; and
- (e) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, not to redeem the Notes pursuant to Condition 7.2 as a result of it becoming obliged to pay Additional Amounts as provided or referred to in Condition 8.1 arising solely as a result of the Merger.

### **5 INTEREST**

The applicable Pricing Supplement will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or whether a different interest basis applies.

#### **5.1 Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is in the form of a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.



Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 5.2 Interest on Floating Rate Notes

### (a) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount (or, if it is in the form of a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls within the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

### (b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### (i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where the Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) if only one quotation is shown, the offered quotation; or
- (B) if more than one quotation is shown, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000,005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as of 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or such other person specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or such other person specified in the applicable Pricing Supplement for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

Subject to Condition 5.4, the Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as of the time specified in the preceding paragraph.

(c) *Minimum and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Principal Paying Agent or such other person specified in the applicable Pricing Supplement, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. If required to be calculated by it, the Principal Paying Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional

Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents and the Noteholders.

The Calculation Agent, post notification of the Rate of Interest by the Principal Paying Agent, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest **Period** divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(e) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent will cause the Rate of Interest and the Calculation Agent will cause the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee as soon as possible after their determination but in no event later than the second London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph (f), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(g) ***Certificates to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **5.3 Other Notes**

In the case of Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such

Notes are Index Linked Interest Notes the provisions of Condition 5.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Principal Paying Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Notes in the form of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

#### **5.4 Benchmark Discontinuation**

##### **(a) *Independent Adviser***

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.4(b) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.4(c)) and any Benchmark Amendments (in accordance with Condition 5.4(d)).

An Independent Adviser appointed pursuant to this Condition 5.4 shall act in good faith as an expert. In the absence of bad faith, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.4(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5.4(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.4(a).

##### **(b) *Successor Rate or Alternative Rate***

If the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.4(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.4); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.4(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.4).

(c) **Adjustment Spread**

If the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) **Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.4 and the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof to the Trustee and the Agents and the delivery to the Trustee and the Agents of a certificate signed by two authorised signatories of the Issuer, in each case in accordance with Condition 5.4(e), without any requirement for the consent or approval of Noteholders, at the Issuer's expense, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.4 without the consent of the Noteholders.

At the request of the Issuer, but subject to receipt by the Trustee and the Agents of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 5.4(e), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that neither the Trustee nor the Agents shall be obliged so to concur if in the opinion of the Trustee or the Agents, as the case may be, doing so would impose more onerous obligations upon any of them or expose any of them to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee or the Agents in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) or the Agency Agreement in any way.

In connection with any such variation in accordance with this Condition 5.4(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) **Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.4 will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.4;
- (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread; and



- (C) certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer has not done so.

The Trustee and the Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of wilful default, manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and Couponholders.

(f) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Conditions 5.4(a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Conditions 5.2(b)(ii), as applicable, will continue to apply unless and until the Agents and/or the Calculation Agent has been notified in accordance with Condition 5.4(e) of (i) the Successor Rate or the Alternative Rate (as the case may be), and the Adjustment Spread and Benchmark Amendments (if any) determined in accordance with this Condition 5.4.

(g) ***Definitions***

As used in this Condition 5.4:

**Adjustment Spread** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) if no such recommendation has been made, or in the case of an Alternative Rate, the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (C) if the Issuer determines that no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines to be appropriate.

**Alternative Rate** means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines in accordance with Condition 5.4(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

**Benchmark Amendments** has the meaning given to it in Condition 5.4(d);

**Benchmark Event** means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months;
- (E) the making of an official announcement by the Supervisor of the administrator of the Original Reference Rate, with effect from a date after 31 December 2021, that the Original Reference Rate is no longer representative of its relevant underlying market; or
- (F) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that in the case of paragraphs (B) to (D) above, the Benchmark Event shall occur on the date of the cessation of the Original Reference Rate, the discontinuation of the Original Reference Rate or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 5.4(a);

**Original Reference Rate** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 5.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

## 5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii), the **Floating Rate Convention**, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls on the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Pricing Supplement; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the **TARGET2 System**) is open.

## 6 PAYMENTS

### 6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the

country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland respectively); and

- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments in respect of principal or interests on the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## **6.2 Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Notes in the form of Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, a Dual Currency Note or an Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which

on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

### **6.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

### **6.4 Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, or the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the

Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **6.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 6, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## **6.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) any Additional Financial Centre (other than TARGET2 System) specified in the applicable Pricing Supplement; and
  - (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## 6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 7 REDEMPTION AND PURCHASE

### 7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including Index Linked Redemption Notes and Dual Currency Redemption Notes) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date, except for Notes denominated in INR for which the Final Redemption Amount per Calculation Amount (as stated in the applicable Pricing Supplement) will be payable in USD and determined by the Calculation Agent, on the Rate Fixing Date in respect of the Maturity Date, as follows:

Calculation Amount divided by the Reference Rate

*Where:*

- (a) **Calculation Agent** means Citibank, N.A., London Branch.
- (b) **Reference Rate** means the rate used on each Rate Fixing Date which will be the USD/INR spot rate, expressed as the amount of Indian Rupees per one U.S. Dollar, for settlement in two Fixing Business Days, reported by the Financial Benchmarks India Private Limited (the **FBIL**), which is displayed on the Bloomberg page or Reuters page as specified in the applicable Pricing Supplement (or and successor page) at approximately 1:30p.m., Mumbai time, on each Rate Fixing Day. If a Price Source Disruption Event occurs on the Scheduled Rate Fixing Date, then the Reference Rate for such Rate Fixing Date shall be determined by the Calculation Agent in accordance with the Fallback Provisions set out below.
- (c) **Rate Fixing Date** means the Scheduled Rate Fixing Date, subject to a Valuation Postponement.
- (d) **Scheduled Rate Fixing Date** means the date which is two Fixing Business Days prior to the Interest Payment Date or the Maturity Date or such other date on which an amount in respect of the Notes is due and payable. If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the Rate Fixing Date shall

be the next following relevant Fixing Business Day, subject to the Deferral Period for an Unscheduled Holiday set out below.

- (e) **Unscheduled Holiday** means a day that is not a Fixing Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Mumbai, two Fixing Business Days prior to the relevant Rate Fixing Date.

*Adjustments to Interest Payment Date and Maturity Date:*

If a Scheduled Rate Fixing Date is adjusted for an Unscheduled Holiday or if a Valuation Postponement applies, then the Interest Payment Date or Maturity Date relating to such Scheduled Rate Fixing Date shall be two Payment Business Day(s) after the date on which the Reference Rate for such Interest Payment Date or Maturity Date is determined. If any Interest Payment Date or Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest payable.

*Fallback Provisions:*

- (f) **Price Source Disruption Event** means it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

- (g) Applicable Price Source Disruption Fallbacks:

In the event of a Price Source Disruption Event, the Calculation Agent shall apply each of the following Price Source Disruption Fallbacks for the determination of the Reference Rate, in the following order, until the Reference Rate can be determined.

1. Valuation Postponement (as defined below)
2. Fallback Reference Price SFEMC INR Indicative Survey Rate (INR02)
3. Fallback Survey Valuation Postponement (as defined below)
4. Calculation Agent Determination of Reference Rate

- (h) **Cumulative Events** has the following meaning:

Notwithstanding anything to the contrary, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed 14 consecutive calendar days in the aggregate.

Accordingly, (x) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Fixing Business Day, then such day shall be deemed to be a Rate Fixing Date, and (y) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption Event shall have occurred or be continuing on the day following such period on which the Reference Rate otherwise would be determined, then a Valuation Postponement shall not apply and the Reference Rate shall be determined in accordance with the next Price Source Disruption Fallback.

- (i) **Valuation Postponement** means that the Reference Rate will be determined on the Fixing Business Day first succeeding the day on which the Price Source Disruption Event ceases to exist, unless the Price



Source Disruption Event continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption Event, would have been the Rate Fixing Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Reference Rate will be determined on the next Fixing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Survey Valuation Postponement, be deemed to be the applicable Rate Fixing Date) in accordance with the next applicable Price Source Disruption Fallback.

- (j) **Maximum Days of Postponement:** 14 calendar days.
- (k) **SFEMC INR Indicative Survey Rate (INR02)** means that the Reference Rate for a given Rate Fixing Date will be the Indian Rupee/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Indian Rupees per one U.S. Dollar, for settlement in two Fixing Business Days, as published on the website of Singapore Foreign Exchange Market Committee (**SFEMC**) at approximately 3:30 p.m. (Singapore time), or as soon thereafter as practicable, on such date. The Reference Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC INR Indicative Survey (as defined below) for the purpose of determining the SFEMC INR Indicative Survey Rate.
- (l) **SFEMC INR Indicative Survey** means a methodology, dated as of 1 December 2004 as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Indian Rupee/U.S. Dollar markets for the purpose of determining the SFEMC INR Indicative Survey Rate (INR02).
- (m) **Fallback Survey Valuation Postponement** means that, in the event that the Fallback Reference Price is not available on or before the third Fixing Business Day (or day that would have been a Fixing Business Day but for an **Unscheduled Holiday**) succeeding the end of either (i) Valuation Postponement for a Price Source Disruption Event, (ii) a Deferral Period for an **Unscheduled Holiday**, or (iii) Cumulative Events, as applicable, then the Reference Rate will be determined in accordance with the next Applicable Price Source Disruption Fallback on such day (which will be deemed to be the applicable Rate Fixing Date). For the avoidance of doubt, Cumulative Events, if applicable, does not preclude the postponement of a valuation in accordance with this provision.
- (n) **Payment Business Day** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Mumbai.
- (o) **Fixing Business Day** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mumbai and London.

*Deferral Period for an Unscheduled Holiday:*

In the event the Scheduled Rate Fixing Date is postponed due to the occurrence of an **Unscheduled Holiday**, and if the Rate Fixing Date has not occurred on or before the 14th calendar day after the Scheduled Rate Fixing Date (any such period being a **Deferral Period**), then the next day after the Deferral Period that would have been a Fixing Business Day but for the **Unscheduled Holiday**, shall be deemed to be the Rate Fixing Date.

## **7.2 Redemption for Tax Reasons (Issuer Tax Call)**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition

14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations (which shall include, for the avoidance of doubt, any change in the application or official interpretation that interest income from Notes in the case of non-resident holders is subject to withholding tax at a rate in excess of 5 per cent. plus applicable surcharge and cess), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7, the Issuer shall deliver to the Trustee to make available at its specified office (during the hours of 9:30 a.m. to 3:00 p.m., Mondays to Fridays (except public holidays)) to the Noteholders (1) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming. See “Risk Factors – Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)”.*

*Additionally, the ECB Guidelines provide that in the event there are changes in the terms and conditions of ECB allowed by the AD Bank under the powers delegated and/or changes approved by the RBI, including reduced repayment by mutual agreement between the lender and borrower, then the Issuer is required to report to the DSIM through a revised Form ECB at the earliest, in any case not later than seven days from the date the relevant changes are effected. Any such changes should be specifically mentioned in the revised Form ECB. Additionally, the Issuer is required to report actual ECB transactions through a Form ECB 2 Return through the AD Category I bank on a monthly basis so as to reach the DSIM within seven working days from the end of the month to which it relates. Changes, if any, in ECB parameters are required to be incorporated in Form ECB 2 Return. See “Risk Factors – Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)”.*

### **7.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement

together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

*Any early redemption of the Notes prior to the Maturity Date will require the prior approval of the RBI in accordance with the ECB Guidelines and such approval may not be forthcoming. An early redemption of the Notes (including for the exercise of the Issuer Call) prior to the minimum average maturity period as stipulated under the ECB Guidelines will require prior approval of the RBI in accordance with the ECB Guidelines. See “Risk Factors – Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)”.*

#### **7.4 Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note having given to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 7 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and

payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

*Any early redemption of the Notes prior to the Maturity Date will require the prior approval of the RBI in accordance with the ECB Guidelines and such approval may not be forthcoming. An early redemption of the Notes (including for the exercise of the Issuer Put) prior to the minimum average maturity period as stipulated under the ECB Guidelines will require prior approval of the RBI in accordance with the ECB Guidelines. See “Risk Factors – Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)”.*

## **7.5 Early Redemption Amounts**

For the purpose of Condition 7.2 and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note, all of which are Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360), (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365), or on such other calculation basis as may be specified in the applicable Pricing Supplement.

## **7.6 Instalments**

Notes in the form of Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

## **7.7 Specific redemption provisions applicable to certain types of Notes**

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes, each of which are Notes, may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 7.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Notes in the form of Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

## **7.8 Purchases**

The Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise subject to applicable laws. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

## **7.9 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

## **7.10 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1 or 7.2 or upon it becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

# **8 TAXATION**

## **8.1 Payment without Withholding**

All payments of principal and interest (including, for the avoidance of doubt, the difference between the issue price of the Notes and the final redemption price of the Notes, if applicable) in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, cesses, levies, imposts, whether direct or indirect, whether central, state or local including taxes on income, withholding tax, fringe benefit tax, capital gains tax, minimum alternate tax, taxes relating to profits, service, sales and wealth, value added tax, taxes relating to excise and customs, import duty, stamp duty, property taxes, assessments or governmental charges of whatever nature imposed or levied, by or on behalf of any Tax Jurisdiction (collectively, the **Taxes**), together with any interest, penalties, surcharges, cess or fines relating to the Taxes, unless such withholding or deduction is required by law. In such event, the Issuer will

pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest (including, for the avoidance of doubt, the difference between the issue price of the Notes and the final redemption price of the Notes, if applicable) which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the **Additional Amounts**), except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) held by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day of such period assuming that day to have been a Payment Day (as defined in Condition 6.6); or
- (c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim;
- (d) where such withholding or deduction is required on income in respect of the Notes in the form of capital gains tax under Indian tax law; or
- (e) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

The Issuer has in the Trust Deed agreed, subject to the receipt of reasonably appropriate written evidence in respect thereof, in respect of any Noteholder (or any person having a beneficial interest therein), other than a Noteholder who is liable for Indian tax by reason of his having a connection with India apart from the mere holding of a Note, to compensate and indemnify, defend and hold harmless each Noteholder and its officers, directors, employees, agents and authorised representatives (if any) from and against any and all Taxes and any resultant losses, liabilities, damages, demands, expenses (including interests and penalties with respect thereto, out-of-pocket expenses and reasonable attorneys' and accountants' fees), claims, assessments, interest and penalties, based upon or, arising out of, or in relation to, or in connection with, amounts payable by the Issuer to the Noteholder pursuant to a Noteholder's investment in the Notes in respect of any interest income (including the difference between the issue price of the Notes and the redemption price, if applicable). This indemnity provided by the Issuer in this Condition 8 shall include any Taxes that a Noteholder may be required or be liable to pay to the Republic of India as a result of the Notes being issued at an amount below 100 per cent. of the principal amount of the Notes. For the avoidance of doubt, this indemnity shall survive any redemption of the Notes in accordance with the Conditions and shall remain in full force and effect.

*Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines and in accordance with any specific approvals from the RBI, the AD Bank or any other regulatory authority appointed in accordance with the ECB Guidelines, obtained by the Issuer in this regard.*

## **8.2 Interpretation**

As used herein:

- (a) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or, as the

case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

- (b) **Tax Jurisdiction** means India or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by the Issuer of principal and interest (including for the avoidance of doubt, the difference between the issue price of the Notes and the final redemption price of the Notes, if applicable) in respect of the Notes, Receipts and Coupons.

### **8.3 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, this Condition 8 pursuant to the Trust Deed.

## **9 PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## **10 EVENTS OF DEFAULT AND ENFORCEMENT**

### **10.1 Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly, subject to receipt of prior RBI or AD Bank approval pursuant to the ECB Guidelines (as defined below), as the case may be, thereby become, immediately due and repayable at their nominal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) a default is made in the payment of any principal or interest due in respect of the Notes or any of them and such failure continues for a period of three Business Days; or
- (b) the Issuer does not perform or comply with one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee (provided that, in each such case, if the default is incapable of remedy or has not been remedied within 30 days after such written notice, the Trustee shall have certified in writing to the Issuer that such default is, in its opinion, materially prejudicial to the interests of the Noteholders, it being acknowledged that the Trustee is under no obligation to provide such certification); or
- (c) the Issuer is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay a material part of its debts, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of (or all of a particular type of) its debts (or of any part which it

will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or

- (d) if: (i) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, any moneys borrowed or raised, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10.1(d) have occurred equals or exceeds U.S.\$50 million or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Trustee on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or
- (e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, which is material to the Issuer, and is not discharged or stayed within 45 days; or
- (f) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (g) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Issuer and is not discharged within 45 days; or
- (h) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) any step is taken by any governmental authority or agency or any other competent authority, with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, which is material to the Issuer as a whole; or
- (j) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

In accordance with the prevailing RBI regulations, prior approval of the RBI must be obtained before making any redemption in accordance with Condition 10.2. Such approval may or may not be forthcoming.

In this Condition 10.1, the **ECB Guidelines** shall mean the Indian Foreign Exchange Management Act, 1999 (**FEMA**) as amended or the rules and regulations issued thereunder, together with:

- (a) the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and circulars or notifications issued thereunder by the RBI;
- (b) the Indian Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations FED Master Direction No. 5/2018-19 dated 26 March 2019 issued by the RBI, as amended from time to time (the **Master Directions**);



- (c) the Indian Master Direction on Reporting under Foreign Exchange Management Act, 1999, dated 1 January 2016; and
- (d) any other applicable regulations, notifications, circulars or guidelines issued in respect of external commercial borrowings, as construed in accordance with the RBI, in each case, as amended, modified, replaced or substituted from time to time pursuant to any rules, regulations, notifications, circulars, press notes or orders issued by the RBI or other Indian governmental agency in relation to external commercial borrowings.

## **10.2 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do and the failure and inability shall be continuing.

Payments of any amounts outside India by the Issuer under an indemnity clause may require the prior approval of the RBI.

## **11 REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent or the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12 PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS**

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, Registrar and Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receipholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **13 EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14 NOTICES**

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery by electronic mail of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

## **15 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed or the Agency Agreement. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes Basic Terms Modifications (as defined in the Trust Deed), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding shall, in each case, be effective as an Extraordinary Resolution of the Noteholders.

Any Extraordinary Resolution (i) passed at a meeting of the Noteholders duly convened and held in accordance with the Trust Deed, (ii) passed as an Extraordinary Resolution in writing in accordance with the Trust Deed or (iii) passed by way of electronic consents given by holders through the relevant Clearing System(s) in accordance with these presents shall be binding upon all the Noteholders whether or not present or whether or not represented at any meeting and whether or not voting on such Extraordinary Resolution and upon all Receiptholders, Couponholders and Talonholders and each of them shall be bound to give effect thereto accordingly and the passing of any such Extraordinary Resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any Extraordinary Resolution duly considered by the Noteholders shall be published in accordance with Condition 14 by the Issuer within 14 days of such result being known, PROVIDED THAT the non-publication of such notice shall not invalidate such result.

The Trustee may agree without the consent of the Noteholders, Receiptholders or Couponholders, to: (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Terms and Conditions of the Notes or the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders to do so; or (ii) any modification which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or for the purposes of compliance with mandatory provisions of law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders by the Issuer in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular

territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of an entity owned or controlled by the Issuer, subject to certain conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to the Noteholders by the Issuer in accordance with Condition 14.

## **16 INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

*Repatriation of proceeds outside India by the Issuer under an indemnity clause may require the prior approval of the RBI in accordance with applicable laws, including the rules and regulations frame under the Foreign Management Act, 1999.*

## **17 FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19 GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **19.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

### **19.2 Submission to jurisdiction**

- (a) Subject to Condition 19.2(c), the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 19.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 19.2(c) is for the benefit of the Trustee, the Noteholders, the Receipholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receipholders and the Couponholders may, in respect of any Dispute or Disputes, take: (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **19.3 Appointment of Process Agent**

The Issuer irrevocably appoints Elemental Process Agent Limited at its specified office for the time being at 27 Old Gloucester Street, London WC1N 3AX, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Elemental Process Agent Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### **19.4 Waiver of immunity**

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any Dispute.

## **USE OF PROCEEDS**

The proceeds of the issue of the Notes will be used for the housing finance business requirements of the Issuer as well as for other purposes in accordance with the ECB Guidelines and as permitted by law.

## CAPITALISATION

The following table sets forth the non-consolidated indebtedness and capitalisation of the Issuer as at 31 March 2021. This table should be read in conjunction with the Issuer's unaudited standalone financial results as of 31 March 2021 and the notes presented elsewhere herein, which have been subjected to a limited review by the statutory auditors of the Issuer.

	<b>As of 31 March 2021</b>	
	<i>(Rs. in billion)</i>	<i>(U.S.\$ in million)<sup>(1)</sup></i>
<b>Indebtedness</b>		
Debt Securities .....	1,820.55	24,735.73
Deposits .....	1,051.79	14,290.63
Borrowings (Other than Debt Securities) .....	1,501.31	20,398.23
Subordinated debt .....	40.00	543.48
<b>Total indebtedness .....</b>	<b>4,413.65</b>	<b>59,968.07</b>
<b>Shareholders' Funds</b>		
Share capital <sup>(2)</sup> .....	3.61	49.05
Other Equity .....	1,084.22	14,731.25
<b>Total shareholders' funds .....</b>	<b>1,087.83</b>	<b>14,780.30</b>
<b>Total Capitalisation .....</b>	<b>5,501.48</b>	<b>74,748.37</b>
<b>Capital Adequacy Ratio (percentage)</b>		
Tier-I .....	-	21.45
Tier-II .....	-	0.72
<b>Total .....</b>	-	<b>22.17</b>

Notes:

<sup>(1)</sup>The U.S. dollar amounts herein have been translated using the exchange rate of U.S.\$1.00 = Rs. 73.6, as at 31 March 2021.

<sup>(2)</sup>As at 31 March 2021, there were 1,803,946,433 equity shares of par value Rs. 2 each outstanding. Non-consolidated contingent liabilities as at 31 March 2021 amounted to Rs. 43.79 billion.

## SELECTED FINANCIAL INFORMATION

The following tables set forth:

- (a) selected consolidated balance sheet items of the Issuer as of 31 March 2020 and 2021;
- (b) selected consolidated profit and loss statement items of the Issuer for the financial years ended 31 March 2020 and 2021;
- (c) selected standalone balance sheet items of the Issuer as of 31 March 2020 and 2021; and
- (d) selected standalone profit and loss statement items of the Issuer for the financial years ended 31 March 2020 and 2021.

The selected financial information set out in the following tables as at and for the year ended 31 March 2020 and 31 March 2021 has been extracted from the Issuer's 2020 Financial Statements and the 2021 Financial Statements (each incorporated by reference into this Offering Circular), respectively, and should be read in conjunction with the Issuer's 2020 Financial Statements and 2021 Financial Statements, as applicable. See the section entitled "*Documents Incorporated by Reference*".

From 1 April 2018, the Issuer has been required to prepare its financial statements in accordance with Ind AS as per the Ministry of Corporate Affairs of India's notification and the Companies (Indian Accounting Standards) Rules dated 16 February 2015. Accordingly, the financial information presented in this section has all been prepared in accordance with Ind AS.

Ind AS differs in certain important respects from IFRS. For a discussion of the principal differences between IFRS and Ind AS as they relate the Issuer, see "*Summary of Significant Differences Between IFRS and Ind AS*". Further transition adjustments may be required to these financial results including those arising from new or revised standards or interpretations issued by the Ministry of Corporate Affairs and National Housing Bank, as applicable.

All USD figures given in this section have been converted using the USD INR rates as at 31 March 2021 of INR 73.6 and 31 March 2020 of INR 75.67 and are in USD millions.



## Selected Consolidated Financial Information of the Issuer

### Selected Profit and Loss

	For the year ended 31 March		
	2020	2021	2021
	(audited)	(audited)	(audited)
	(in Rs. billion)		(in USD million)
<b>I. REVENUE FROM OPERATIONS</b>			
(i) Interest Income .....	452.53	446.62	6,041.03
(ii) Surplus form deployment in Cash Management Schemes of Mutual Funds .....	11.19	8.13	110.46
(iii) Dividend Income .....	0.89	0.38	5.16
(iv) Rental Income .....	0.47	0.55	7.47
(v) Fees and commission Income .....	21.40	19.68	267.39
(vi) Profit on Loss of Control .....	97.99	-	-
(vii) Net gain on fair value charges .....	-1.80	19.72	267.93
(viii) Profit on Sale of Investments .....	-	-	-
(ix) Profit on Sale of Investments Properties .....	0.35	-0.02	-0.27
(x) Net gain on derecognition of assigned loans .....	9.68	11.03	149.86
(xi) Income from Life Insurance Operations – Policyholder's funds .....	280.41	705.75	9,588.99
(xii) Income from Non Life Insurance Operations – Policyholder's funds .....	144.15	180.50	2,452.45
<b>Total revenue from operations</b>	<b>1,017.26</b>	<b>1,390.34</b>	<b>18,890.47</b>
<b>II. OTHER INCOME</b>	0.70	0.37	5.03
<b>III. TOTAL INCOME (I + II)</b>	<b>1,017.96</b>	<b>1,390.71</b>	<b>18,895.50</b>
<b>IV. EXPENSES</b>			
(i) Finance costs .....	321.09	290.81	3,951.22
(ii) Impairment on financial instruments (Expected Credit Loss) .....	59.51	30.31	411.82
(iii) Employee benefits expenses .....	13.57	17.01	231.11
(iv) Depreciation, amortisation and impairment .....	2.56	3.55	48.23
(v) Establishment Expenses .....	0.57	0.45	6.11
(vi) Expense of Life Insurance Operations - Policyholder's funds .....	266.18	693.88	9,427.72
(vii) Expense of General Insurance Business - Policyholder's funds .....	139.35	171.97	2,336.55
(viii) Other Expenses .....	10.66	9.58	130.16
<b>Total expenses</b>	<b>813.49</b>	<b>1,217.56</b>	<b>16,542.92</b>
<b>V. SHARE OF PROFIT OF ASSOCIATES (EQUITY METHOD)</b>	<b>57.46</b>	<b>69.22</b>	<b>940.49</b>
<b>VI. PROFIT BEFORE TAX (III - IV + V)</b>	<b>261.93</b>	<b>242.37</b>	<b>3,293.07</b>
<b>VII. TAX EXPENSE</b>			
- Current Tax .....	34.16	39.38	535.05
- Deferred Tax .....	-0.49	-1.88	-25.54
Total tax expense .....	<b>33.67</b>	<b>37.50</b>	<b>509.51</b>
<b>VIII. NET PROFIT AFTER TAX (VI – VII)</b>	<b>228.26</b>	<b>204.87</b>	<b>2,783.56</b>

**IX. OTHER COMPREHENSIVE INCOME**

(A)(i) Items that will not be reclassified to Statement of profit or (loss).....	-71.51	19.41	263.72
(ii) Income tax relating to items that will not be reclassified to Statement of profit or (loss).....	-6.20	-1.63	-22.15
<b>Subtotal (A).....</b>	<b>-65.31</b>	<b>17.78</b>	<b>241.58</b>
(B)(i) Items that will be reclassified to Statement of profit or (loss).....	2.04	0.80	10.87
(ii) Income tax relating to items that will be reclassified to Statement of profit or (loss).....	-0.32	-0.20	-2.78
<b>Subtotal (B).....</b>	<b>1.72</b>	<b>0.60</b>	<b>8.15</b>
(C) Share of Other Comprehensive Income of an Associate .....	1.45	-2.57	-34.92
<b>Other Comprehensive Income (A+B+C).....</b>	<b>-62.13</b>	<b>15.82</b>	<b>214.81</b>
<b>Total comprehensive income (VIII + IX) .....</b>	<b>166.13</b>	<b>220.69</b>	<b>2,998.51</b>

**Profit attributable to:**

Owners of the Corporation .....	214.34	187.40	2,546.20
Non-Controlling Interest .....	13.92	17.47	237.36

**Other Comprehensive Income attributable to:**

Owners of the Corporation .....	-63.74	15.65	212.64
Non-Controlling Interest .....	1.61	0.17	2.31

**Total Comprehensive Income attributable to:**

Owners of the Corporation .....	150.60	203.05	2,758.84
Non-Controlling Interest .....	15.53	17.64	239.67

**Earnings per equity share**

Basic (Rs.).....	124.14	105.59	1.43
Diluted (Rs.).....	123.19	104.70	1.42

*Selected Balance Sheet*

	<b>As of 31 March</b>		
	<b>2020</b>	<b>2021</b>	<b>2021</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in Rs. billion)</i>		<i>(in USD million)</i>
<b>ASSETS</b>			
<b>FINANCIAL ASSETS</b>			
(i) Cash and cash equivalents .....	51.98	26.29	357.20
(ii) Bank Balances other than (i) above .....	3.03	4.07	55.30
(iii) Receivables			
(a) Trade Receivables .....	3.36	2.42	32.88
(b) Other Receivables .....	0.07	-	-
(iv) Derivative financial instruments .....	57.58	21.92	297.83
(v) Loans .....	4,454.96	4,909.48	66,704.89
(vi) Investments in Associates .....	488.84	553.95	7,526.49
(vii) Other Investments .....	510.27	553.99	7,527.04
(viii) Assets of Life Insurance Business .....	1,373.32*	1,836.17	24,947.96
(ix) Assets of Non Life Insurance Business .....	198.68	235.22	3,195.92
(x) Other financial assets .....	39.85	38.52	523.37
(xi) Non-Current assets held for sale	-	1.41	19.16
<b>Total Financial Assets .....</b>	<b>7,181.94</b>	<b>8,183.44</b>	<b>111,188.04</b>
<b>NON-FINANCIAL ASSETS</b>			
(i) Current tax assets (Net) .....	36.97	29.20	396.74
(ii) Deferred tax assets (Net) .....	17.00	18.54	251.90
(iii) Investment property .....	9.82	9.37	127.31
(iv) Property, plant and equipment .....	17.44	17.39	236.28
(v) Other intangible assets .....	11.49	10.36	140.76
(vi) Capital work in Progress .....	0.20	0.10	1.36
(vii) Intangible assets under development .....	0.38	0.37	5.04
(viii) Other non-financial assets .....	6.90*	7.42	100.82
(ix) Goodwill on consolidation .....	16.01	16.01	217.53
(x) Non – Current assets held for sale	-	1.35	18.34
<b>Total Non-Financial Assets .....</b>	<b>116.21</b>	<b>110.11</b>	<b>1,496.08</b>
<b>Total Assets .....</b>	<b>7,298.15</b>	<b>8,293.55</b>	<b>112,684.12</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial Liabilities</b>			
(i) Derivative financial instruments .....	3.55	17.17	233.29
(ii) Payables			
(A) Trade Payables			
(a) Total outstanding dues of micro enterprises and small enterprises .....	0.04	0.09	1.22
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises .....	21.61	30.71	417.26
(B) Other Payables			
(a) Total outstanding dues of micro enterprises and small enterprises .....	-	-	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises .....	2.39	2.96	40.22
(iii) Debt Securities .....	1,795.25	1,837.10	24,960.60

(iv) Borrowings (Other than Debt Securities) .....	1,079.15	1,079.92	14,672.83
(v) Deposits .....	1,323.05	1,500.77	20,390.90
(vi) Subordinated Liabilities .....	56.23	52.34	711.14
(vii) Liabilities pertaining to Life Insurance Business .....	1,310.07	1,754.06	23,832.34
(viii) Liabilities pertaining to Non-Life Insurance Business .....	174.23	198.36	2,695.11
(ix) Other financial liabilities .....	165.37	133.88	1,819.02
<b>Total Financial Liabilities</b> .....	<b>5,930.94</b>	<b>6,607.36</b>	<b>89,773.93</b>
<b>Non-Financial Liabilities</b>			
(i) Current tax liabilities (Net) .....	2.60	4.70	63.86
(ii) Deferred tax liabilities (Net) .....	0.32	1.25	16.98
(iii) Provisions .....	3.72	3.71	50.41
(iv) Other non-financial liabilities .....	22.21	20.35	276.49
<b>Total Non-Financial Liabilities</b> .....	<b>28.85</b>	<b>30.01</b>	<b>407.74</b>
<b>Total liabilities</b> .....	<b>5,959.79</b>	<b>6,637.37</b>	<b>90,181.67</b>
<b>EQUITY</b>			
(i) Equity Share capital .....	3.46	3.61	49.05
(ii) Other Equity .....	1,261.33	1,563.52	21,243.48
(iii) Non-controlling interest .....	73.57	89.05	1,209.92
<b>Total equity</b> .....	<b>1,338.36</b>	<b>1,656.18</b>	<b>22,502.45</b>
<b>Total liabilities and equity</b> .....	<b>7,298.15</b>	<b>8,293.55</b>	<b>112,684.12</b>

(\* ) Figures marked with an asterisk have been reclassified/regrouped, as applicable, to make them comparable with the figures for the year ended 31 March 2021

## Selected Standalone Financial Information of the Issuer

### Selected Profit and Loss

INCOME	For the year ended 31 March		
	2020 <i>(audited)</i>	2021 <i>(audited)</i>	2021 <i>(audited)</i>
	<i>(in Rs. billion)</i>		<i>(in USD million)</i>
<b>REVENUE FROM OPERATIONS</b>			
(i) Interest Income .....	426.47	427.72	5,811.41
(ii) Surplus from deployment in Cash Management Schemes of Mutual Funds .....	11.02	8.13	110.46
(iii) Dividend Income .....	10.81	7.34	99.73
(vi) Rental Income .....	0.70	0.77	10.46
(v) Fees and Commission Income .....	1.93	2.12	28.80
(vi) Net gain on fair value charges .....	91.19	9.56	129.89
(vii) Profit on Sale of Investments .....	35.24	13.98	189.95
(viii) Profit / (Loss) on Sale of Investments Properties .....	0.35	-0.02	-0.27
(ix) Income from Derecognised (assigned) Loans .....	9.68	11.90	161.68
<b>(I) Total revenue from operations .....</b>	<b>587.39</b>	<b>481.50</b>	<b>6,542.11</b>
<b>(II) Other Income .....</b>	<b>0.24</b>	<b>0.26</b>	<b>3.53</b>
<b>(III) Total Income (I + II) .....</b>	<b>587.63</b>	<b>481.76</b>	<b>6,545.64</b>
<b>EXPENSES</b>			
(i) Finance costs .....	310.01	286.15	3,887.91
(ii) Impairment on financial instruments (Expected Credit Loss) .....	59.13	29.48	400.54
(iii) Employee benefits expenses .....	5.93	9.14	124.18
(iv) Depreciation, amortisation and impairment ...	1.48	1.59	21.60
(v) Establishment Expenses .....	0.40	0.32	4.35
(vi) Other Expenses .....	7.17	6.93	94.16
<b>(IV) Total Expenses .....</b>	<b>384.12</b>	<b>333.61</b>	<b>4,532.74</b>
<b>(V) Profit before Tax (III – IV) .....</b>	<b>203.51</b>	<b>148.15</b>	<b>2,012.90</b>
Tax Expense			
- Current Tax .....	25.72	30.41	413.18
- Deferred Tax .....	0.10	-2.53	-34.38
<b>(VI) Total Tax Expense .....</b>	<b>25.82</b>	<b>27.88</b>	<b>378.80</b>
<b>(VII) Net Profit after Tax (V – VI) .....</b>	<b>177.69</b>	<b>120.27</b>	<b>1,634.10</b>
<b>(VIII) Other Comprehensive Income</b>			
(A) (i) Items that will not be reclassified to profit or (loss) .....	-73.99	18.15	246.60
(ii) Income tax relating to items that will not be reclassified to profit or (loss) .....	6.83	-1.38	-18.75
<b>Sub Total (A) .....</b>	<b>-67.16</b>	<b>16.77</b>	<b>227.85</b>
(B) (i) Items that will not be reclassified to profit or (loss) .....	0.85	0.76	10.33
(ii) Income tax relating to items that will not be reclassified to profit or (loss) .....	-0.21	-0.19	-2.58
<b>Sub Total (B) .....</b>	<b>0.64</b>	<b>0.57</b>	<b>7.75</b>
<b>Other Comprehensive Income (A + B) .....</b>	<b>-66.52</b>	<b>17.34</b>	<b>235.60</b>
<b>(XI) Total Comprehensive Income .....</b>	<b>111.17</b>	<b>137.61</b>	<b>1,869.70</b>
<b>(X) Earnings per Equity Share</b>			
Basic (Rs.) .....	102.91	67.77	0.92
Diluted (Rs.) .....	102.12	67.20	0.91

## Selected Standalone Financial Information of the Issuer

### Selected Standalone Balance Sheet

	As of		
	31 March 2020 <i>(audited)</i>	31 March 2021 <i>(audited)</i>	31 March 2021 <i>(audited)</i>
	<i>(in Rs. billion)</i>		<i>(in USD million)</i>
<b>ASSETS:</b>			
<b>(1) Financial Assets</b>			
(a) Cash and cash equivalents.....	31.42	7.70	104.62
(b) Bank Balance other than (a) above .....	2.84	3.75	50.95
(c) Derivative financial instruments .....	57.09	21.54	292.66
(d) Receivables		-	-
(i) Trade Receivables.....	2.30	1.55	21.06
(ii) Other Receivables.....	-	-	-
(e) Loans.....	4,399.43	4,852.94	65,936.68
(f) Investments.....	649.44	686.37	9,325.68
(g) Other Financial assets .....	27.43	33.81	459.38
(h) Non-Current Assets held for sale	-	1.56	21.33
<b>Total Financial Assets .....</b>	<b>5,169.95</b>	<b>5,609.23</b>	<b>76,212.36</b>
<b>(2) Non – Financial Assets</b>			
(a) Current tax assets (Net).....	31.02	23.57	320.24
(b) Deferred tax Assets (Net).....	15.68	16.55	224.86
(c) Investment Property .....	8.90	8.41	114.27
(d) Property, Plant and Equipment .....	9.86	9.86	133.97
(e) Other Intangible assets .....	3.63	3.70	50.28
(f) Other non-financial assets .....	1.90	3.32	45.11
(g) Non-current assets held for sale	-	1.35	18.34
<b>Total Non – Financial Assets .....</b>	<b>70.99</b>	<b>66.76</b>	<b>907.07</b>
<b>Total Assets .....</b>	<b>5,240.94</b>	<b>5,657.99</b>	<b>77,119.43</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>(1) Financial Liabilities</b>			
(a) Derivative financial instruments .....	3.21	16.61	225.68
(b) Payables .....			
(A) Trade Payables .....			
(i) total outstanding dues of micro enterprises and small enterprises.....	0.04	0.07	0.95
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises .....	1.93	3.32	45.11
(B) Other Payables .....			
(i) total outstanding dues of micro enterprises and small enterprises.....	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises .....	-	-	-
(c) Debt Securities .....	1,768.69	1,820.55	24,735.73
(d) Borrowings (Other than Debt Securities).....	1,049.09	1,051.79	14,290.63
(e) Deposits.....	1,323.24	1,501.31	20,398.23
(f) Subordinated Liabilities.....	50.00	40.00	543.48

(g) Other financial liabilities.....	158.96	129.92	1,765.22
<b>Total Financial Liabilities .....</b>	<b>4,355.16</b>	<b>4,563.57</b>	<b>62,005.03</b>
<b>(2) Non-Financial Liabilities</b>			
(a) Current tax liabilities (Net) .....	1.93	4.41	59.92
(b) Provisions .....	2.61	2.51	34.10
(c) Other non-financial liabilities .....	19.66	17.67	240.08
<b>Total Non-Financial Liabilities.....</b>	<b>24.20</b>	<b>24.59</b>	<b>334.10</b>
<b>Total Liabilities</b>	<b>4,379.36</b>	<b>4,588.16</b>	<b>62,339.13</b>
<b>(3) Equity</b>			
(a) Equity Share capital .....	3.46	3.61	49.05
(b) Other Equity.....	858.12	1,084.22	14,731.25
<b>Total Equity .....</b>	<b>861.58</b>	<b>1,087.83</b>	<b>14,780.30</b>
<b>Total Liabilities and Equity .....</b>	<b>5,240.94</b>	<b>5,675.99</b>	<b>77,119.43</b>

## DESCRIPTION OF THE ISSUER AND THE GROUP

*In this section only, any reference to “we”, “us”, “our” or “the Issuer” refers to Housing Development Finance Corporation Limited.*

*The following information should be read together with the more detailed financial and other information included in this Offering Circular, including the information contained in “Risk Factors”.*

### Overview

The Issuer was incorporated as a public limited company on 17 October 1977 under the Companies Act, 1956 and has its registered office at Ramon House, H.T. Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai 400 020 and corporate office at HDFC House, H.T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020, India, registered with CIN L70100MH1977PLC019916 (Telephone Numbers: +91 22 61766000/+91 22 66316000). The Issuer was the first specialised mortgage company in India. As of 31 March 2021, the Issuer’s outstanding loan book amounted to Rs. 4,983 billion and total assets were Rs. 5,676 billion. The Issuer’s principal business is providing finance to individuals, corporates, developers and co-operative societies for the purchase, construction, development and repair of houses, apartments and commercial property in India.

The Issuer’s initial public offering was undertaken in 1978 and its equity shares are listed on BSE and the NSE. As of 31 March 2021, the Issuer’s distribution network comprised 593 outlets, which included 203 offices of its wholly owned Subsidiary, HDFC Sales Private Limited. As of 31 March 2021, the Issuer’s capital adequacy ratio was 22.2 per cent. as against a minimum regulatory requirement of 14 per cent. and the Issuer’s Tier-I capital was 21.5 per cent., as against a minimum requirement of 10 per cent.

A snapshot of the business of the Issuer as of 31 March 2021 is as follows:

Loans Outstanding (Gross loans) .....	Rs. 5,698.94 billion (U.S.\$ 77.43 billion) <sup>(1)</sup>
Individual Loans Originated CAGR (five years).....	16 per cent.
Cumulative Housing Units Financed .....	8.4 million
Total loan write offs since inception (of cumulative disbursements)	21 basis points
Unrealised gains on listed investments .....	Rs. 2,615.90 billion (U.S.\$ 35.54 billion)

Note:

<sup>(1)</sup>..... Derived using an exchange rate of Rs. 73.60 to U.S. \$1.00.

### Strengths

The Issuer’s strengths as a provider of housing finance are:

- being among the lowest levels of NPA in the industry due to;
- prudence in lending:
  - efficient recovery mechanisms; and
  - efficient and robust operating process;
- well diversified assets and liabilities mix;
- low average loan to value ratio and instalment to income ratios;



- steady level of prepayments;
- pan-Indian presence; and
- quality underwriting with experience of over 40 years.

The Issuer's corporate strengths are:

- strong brand, synonymous with trust and confidence;
- cumulatively financed over 8.4 million housing units since its inception;
- stable and experienced management, with the average tenor of senior management of the Issuer being approximately 30 years;
- low cost income ratio: as of 31 March 2021, the cost income ratio was 7.7 per cent.;
- high service standards and quality customer service;
- access to diversified funding sources, including public deposits; and
- synergistic and diverse presence across segments of financial services through its subsidiaries and associates.

The significantly low mortgage penetration in India implies room for growth (mortgages represented 11 per cent. of nominal GDP in India as of 31 March 2021, compared to 18 per cent. in China and 68 per cent. in the United Kingdom. (*Source: European Mortgage Federation, HOFINET & HDFC estimates for India*). As such, the Issuer believes that there is scope to further cement its presence in the mortgage finance industry in India, especially given the strong government endeavours for affordable housing for all.

### **Strategies**

The Issuer's primary objective is to enhance the residential housing stock in India through the provision of housing finance on a systematic and professional basis and to promote home ownership throughout India. The Issuer has contributed to increasing flow of resources to housing sector.

The Issuer's primary business strategies are to:

- maintain its position as the leading housing finance institution in India;
- develop close relationships with individual households and enhance its customer relationships;
- transform ideas for housing finance into viable and creative solutions;
- grow through diversification by leveraging its client base;
- grow the loan book in prudent and sustainable manner;
- maintain asset quality;
- have a diversified funding profile;
- create long-term shareholder value ;
- minimise cost to income ratio for operational efficiencies; and

- be well capitalised so as to be able to fund capital requirements of subsidiary/associate companies and seek inorganic opportunities.

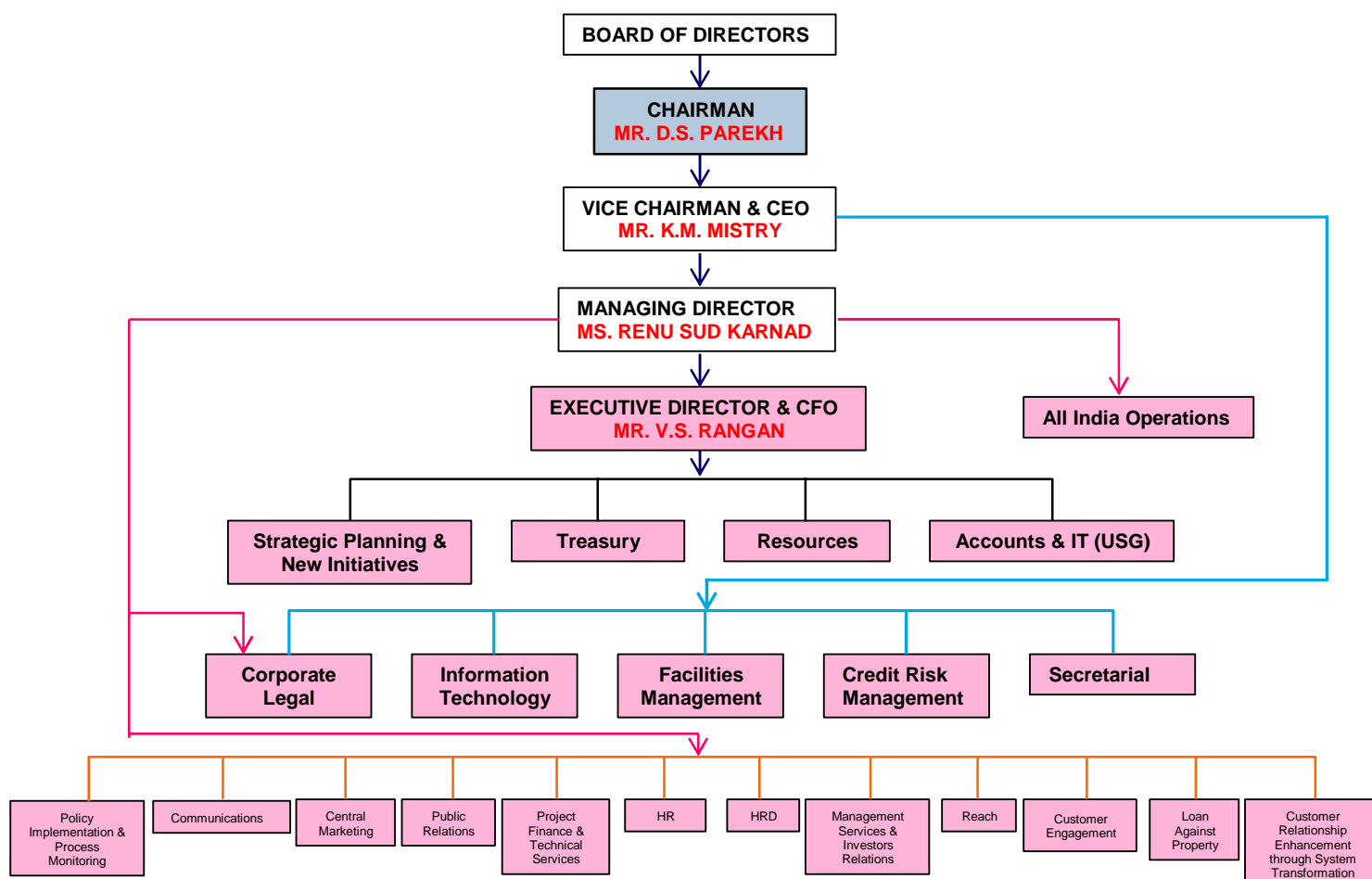
The Issuer's growth strategy is based on the following:

- creating long-term shareholder value: the Issuer seeks to continue create long-term shareholder value through the mortgage finance business as well as through its investments in subsidiary and associate companies. The Issuer believes there could be inorganic opportunities arising from the current environment and will continue to invest in its subsidiary and associate companies to support their expansion plans;
- maintain low gross non-performing assets (NPAs): as at 31 March 2021, the Issuer's gross non-performing loans stood at 1.98 per cent., which is amongst the lowest across the financial sector in India. The Issuer has always been prudent in its provisioning norms. The Issuer has more than adequate buffers to meet unforeseen contingencies; and
- the Issuer aims to have a cost income ratio of under 10 per cent. A reflection of operational efficiency is best depicted in the cost to income ratio which stood at 7.7 per cent. for the year ended 31 March 2021. This is amongst the lowest ratios in the financial sector. The Issuer has always been prudent and careful in managing its administration expenses and has capitalised on technology through various digitalisation initiatives to bring in overall cost efficiencies in the operations of the business.

## Organisational Structure

The following diagram sets forth an overview of the Issuer's organisational structure:

### HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED



## Products and Services

### Loan Products

The Issuer lends to individuals, developers, members of co-operative housing societies and companies to finance the construction, repair, development or purchase of residential and non-residential premises in India. It constantly endeavours to improve and expand its existing product portfolio into new customer segments and regions and markets in India. Its products are designed to satisfy the diverse needs of its customers. It has introduced various innovative lending products at affordable rates of interest to serve such diverse purposes.

One of the flagship programmes of the Government of India is its mission of 'Housing for All'. The Issuer is focusing strongly on affordable housing, which is also where the greatest demand lies. The Issuer has pursued its efforts towards lending to the Economically Weaker Section (EWS), Low Income Group (LIG) and Middle Income Group (MIG) segments.

In the year ended 31 March 2021, the Issuer's loan approvals with respect to affordable housing is as follows:

<b>Individual loans approved (percentages) for the year ended 31 March:</b>				
	<b>2021</b>		<b>2020</b>	
	<i>per cent in Value Terms</i>	<i>per cent in Number Terms</i>	<i>per cent in Value Terms</i>	<i>per cent in Number Terms</i>
High Income Group	40	19	36	17
Middle Income Group	44	48	46	47
Low Income Group	14	27	16	30
Economically Weaker Section	2	6	2	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Household income definitions:

- *Economically Weaker Section: Up to Rs 0.3 million per annum*
- *Low Income Group: Above Rs 0.3 million to Rs 0.6 million per annum*
- *Middle Income Group: Above Rs 0.6 million to Rs 1.8 million per annum*
- *High Income Group: Above Rs 1.8 million per annum*

For the year ended 31 March 2021, 33 per cent. of the volume and 16 per cent of the value of home loans approved by the Issuer were to customers from the EWS and LIG. The average home loan to the EWS and LIG segment during the year ended 31 March 2021 stood at Rs 1.08 million and Rs 1.86 million respectively.

#### *Key Characteristics of Individual Loans*

The Issuer's individual loan portfolio has a well-diversified geographic presence. In terms of individual loans approved during the year ended 31 March 2021, 37 per cent. of the loans were in the west, 32 per cent in the south, 27 per cent. in the north and 4 per cent. in the east of the country.

In terms of the customer profile, 78 per cent. of customers were salaried individuals whilst 22 per cent were self-employed, which also includes self-employed professionals. Having a larger base of salaried customers has enabled the Issuer to maintain a quality portfolio, largely due to certainties on the cash flows.

In terms of mode of acquisition, 55 per cent. of the loans approved during the year ended 31 March 2021 were first-purchase homes i.e. directly from the builder, 8 per cent. self-construction and 37 per cent. were through resale.

Of the Issuer's individual loans approved in the year ended 31 March 2021, the average loan size was Rs. 2.95 million (U.S.\$ 40 thousand), the average loan-to-value was 69 per cent. (at origination) and average loan tenure was 11 years as of 31 March 2021.

Loans are generally repaid in equated monthly instalments over a period of 5 to 20 years. The tenure of the loan is also dependent on the customer's profile, age of the customer at maturity of the loan, age of property at loan maturity, depending upon the specific repayment scheme as may be selected and any other such terms.

#### *Key Loan Products*

The Issuer's principal products include:

- *Home loans: to individuals to finance the purchase of residential property or land, for construction of a residential unit, or for the extension, repair or renovation of property;*

- *Women Power Loans:* to encourage women homeownership, the Issuer has a housing product called 'HDFC Women Power' where the rate of interest on the home loan is slightly lower than on a regular home loan;
- *Home Improvement Loan:* offered to new and existing customers who want to create a more comfortable living space by renovating their existing homes, which includes tiling, flooring, internal and external plaster, painting etc. Refinance of an existing home improvement loan availed from another financial institution / bank can also be availed by a customer;
- *Land Loans:* loans for purchase of a plot through direct allotment or for purchase of resale plot;
- *Land plus Construction Loan:* a simultaneous financing of land purchase and construction that is offered to new and existing customers;
- *Loans against the value and security of a property:* for certain other approved purposes, such as education, medical costs coverage among other things;
- *Non-residential premises loans:* provided to professionals to facilitate the purchase or construction of office premises and renovation of existing office premises;
- *Corporate loans:* including loans provided to approved corporates for financing the purchase or construction of staff accommodation and office premises, and line of credit facilities under which the Issuer provides funds to corporates for onward lending to their employees;
- *Developer loans:* provided to approved developers to finance the construction of housing projects and loans to property owners against rent receivables;
- *Reach Loans:* focus on the informal sector and address the home loan needs of customers who may or may not be supported by formal income documentation and hence cannot be provided with a home loan under a normal lending program. The product seeks to reach out to the under-financed segment of the housing market and, as such, contribute to achieving the Government's 'Housing for All' initiative vision statement;
- *Rural Housing Finance (RHF) loans:* these are offered to customers acquiring property in rural areas (i.e. in gram panchayats) beyond urban and peripheral locations. They are for customers who are acquiring properties in urban and peripheral areas against rural incomes to be owned by themselves or a business entity. The Issuer has developed and designed products where housing loans are provided to farmers and horticulturists on the basis of their income from crops;
- *Insurance Premium Funding Loan (IPF):* this product is offered to the Issuer's home loan customers for funding the insurance premium of single premium insurance policy or investment policies that are purchased primarily to insure the loan availed from the Issuer;
- *Non-Resident Indian (NRI) Loan:* NRI loans can be availed by individuals who are NRI/Person of Indian Origin (PIO)/ Overseas Citizen of India (OCI) who are considering acquisition or construction of residential properties in India;
- *Top-Up Loan:* this product is for existing customers or customers seeking to refinance their existing home loans availed from other banks/financial institutions. The loan can be availed by customers for their personal and professional needs, such as marriage, education, medical expenses, business expansion, debt consolidation, purchase of home furniture/ consumer durables etc; and
- *Lines of Credit:* as a part of its corporate marketing initiative, the Issuer advances housing loans for the purchase, construction, extension, repair or renovation of property to employees of approved corporates.

These loans are on preferential terms and conditions and the employees of the approved corporates enjoy benefits such as guarantee waiver and real estate counselling.

The Issuer offers flexible repayment schemes to structure customers' repayment terms in accordance with their unique needs. These include :

- *Step up repayment facility*: the repayment schedule is linked to customers' expected growth in income and repayment is accelerated proportionately with the assumed increase in income;
- *Flexible loan instalment plan*: the repayment schedule is in tranches, with an initial higher instalment for a fixed term, followed by lower instalments for the balance of the term;
- *Corporate loans*: including loans provided to approved corporates for financing the purchase or construction of staff accommodation and office premises, and line of credit facilities under which the Issuer provides funds to corporates for onward lending to their employees;
- *Lease rental discounting*: LRD loans are offered for acquiring a property or against a ready property which is presently leased out or is intended to be leased within a short duration of time; and
- *Developer loans*: provided to approved developers to finance the construction of housing projects and loans to property owners against rent receivables.

#### *Key Features of Loans*

The disbursement of individual home loans has increased in recent years, largely due to increased marketing efforts, increased demand for home loans due to affordable interest rate levels in India, stable property prices, increased fiscal benefits available to home owners, higher disposable incomes and increased urbanisation.

Most of the home loans and non-housing retail loans are floating rate loans linked to the Retail Prime Lending Rate (Housing) and Retail Prime Lending Rate (Non Housing) respectively , which is an internal benchmark of the Issuer.

Loans can be availed under different interest rate variants like Adjustable Rate Loans, Fixed Rate and TruFixed Loans:

- **Adjustable Rate Loan**: the interest rate of the adjustable rate loans is dependent on the prevailing benchmark rates i.e. Retail Prime Lending Rate (RPLR) & Retail Prime Lending Rate-Non-Housing (RPLR-NH). These benchmark rates are reviewed by the Asset Liability Committee (ALCO) periodically.

The applicable rate of interest charged to a customer is a combination of the relevant HDFC benchmark rate along with the "spread", which is determined on the basis of the product, credit risk of the customer as assessed by the Issuer and the current market scenario.

- **Fixed Rate Loans**: the interest rate applicable to these loans is fixed for the entire term of the loan.
- **TruFixed Loans**: the TruFixed loans have an initial fixed rate period and post the fixed interest rate period, the loan automatically converts to an adjustable rate loan.

All retail loan products can be availed by salaried and self-employed individuals to acquire property or against a ready property. The loans can be availed individually or jointly. All owners of the property are required to be co-applicants to the loan. However, co-applicants need not be co-owners.

The loan products may also be availed by individuals against a ready property or for acquiring property to be owned by a business entity like proprietary / partnership firm, closely held public/private limited company subject to the business entity becoming a co-applicant to the loan.

All customers need to demonstrate an ability to service the loan as appraised by the Issuer.

Home loans are secured by equitable mortgages over the property to be financed and/or such other collateral security as may be necessary. In particular, the Issuer requires borrowers to grant a charge over the property and deposit the title deeds to the property with it. Borrowers may also be required to obtain a guarantee from a person of good financial standing acceptable to the Company. The Issuer may also require the borrower to assign collateral in the form of insurance policies or bonds. The decision on collateral security are based on the Issuer's internal credit appraisal of each borrower.

For the Issuer's individual loan portfolio, the average loan size is Rs. 2.95 million, average loan-to-value is 69 per cent. (at origination) and average loan tenure is 11 years as of 31 March 2021. See the section entitled "Loan Book" below for details of the total loans outstanding for the various customer categories and as a percentage of total outstanding loans across the following categories of customers as of 31 March 2020 and 2021

### ***International housing finance initiatives***

The Issuer's expertise in housing finance is well regarded and therefore a number of existing and new housing finance companies are seeking its help in training and technical assistance in housing finance.

The Issuer conducts its own international programme, 'Housing Finance Management' at its training centre, the Centre for Housing Finance. Participants from countries across Asia, Africa and Eastern Europe have attended these residential training programme. The trainers for the programme are the Issuer's own senior employees and hence the key differentiator is that the trainers are practitioners of housing finance.

The Issuer and The Frankfurt School of Finance & Management jointly organise the "Housing Finance Summer Academy" in Germany, a course that aims to provide housing finance solutions for emerging markets through a combination of academic knowledge and practical experience.

The World Bank had described the Issuer as a 'model housing finance' Issuer - especially for countries with nascent mortgage finance systems. The Issuer has helped to establish mortgage finance companies in Bangladesh, Sri Lanka, Egypt, Maldives and Tanzania. In all these housing finance companies, the Issuer has not only taken a small equity stake, but more importantly it has used its expertise in mortgage finance and has rendered technical assistance and consultancy services as well.

### ***Marketing and Distribution Offices***

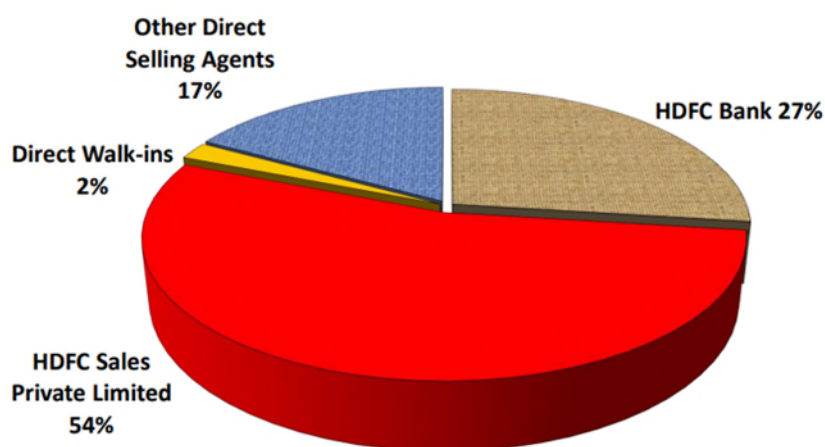
As of 31 March 2021, the Issuer's distribution network comprised 593 outlets, which included 203 offices of its wholly owned Subsidiary, HSPL, compared with 188 offices as of 31 March 2020. Deposit and loan products offered by the Issuer are offered at several locations through outreach programmes.

The Issuer has overseas offices in London, Dubai and Singapore. The Dubai office caters to customers across the Middle-East through its service associates. Efforts are concentrated on further strengthening the distribution network through a combination of increased physical offices and digital initiatives.

### **Distribution**

The Issuer's distribution network, which include the Issuer's branches, HSPL, HDFC Bank and third party direct selling associates, play an important role in sourcing home loans. As of 31 March 2021, 83 per cent. of the Issuer's mortgages are sourced through itself or its affiliates. It also has distribution tie-ups with commercial banks, small

finance banks, non-banking financial companies and other distribution companies including e-portals for retail loans.



*As of 31 March 2021*

The role of the Issuer's distribution channels is limited only to the marketing of loan products. The Issuer retains control over the credit, legal and technical appraisal process, thereby ensuring that the quality of borrowers to whom loans are distributed is not compromised in any way and is consistent across all distribution channels.

Leveraging its long-standing relationships with leading developers from across the country, the Issuer organises property exhibitions in India and overseas as a value-added service for home seekers, enabling them to choose from a wide choice of property options. Supplementing this effort is the Issuer's online interactive platform showcasing a wide range of real estate projects from reputed developers across India for HDFC's 'India Homes Fair' held overseas.

To enhance the digital experience, the Issuer integrated Natural Language Processing (NLP) and Machine Learning (ML) technology with its website "chatbot" to understand and analyse user intent, effectively respond to user interaction and thereby deliver an enhanced customer experience.

The Issuer executed several digital brand campaigns during the year, including Google's DoubleClick marketing platform. This resulted in over 1.50 billion brand impressions on various online platforms.

To ensure faster load times on the mobile, HDFC launched Accelerated Mobile Pages on its website. The improved page speed and better user experience led to higher search engine optimisation (SEO) rankings for the brand.

A user can now get consumer information on the Issuer's website in six Indian languages - Hindi, Marathi, Tamil, Telugu, Malayalam and Kannada. This is particularly helpful to better serve the growing base of Indian language users on the internet, particularly in tier II, tier III cities and rural areas. The Issuer also integrated Language Localisation Technology (LLT) to execute digital brand and marketing campaigns in regional languages, leading to a better connect with the target audience.

The Issuer has strengthened its team of dedicated data analytics professionals who focus on extracting useful customer insights through various data models, thereby helping to increase business.



## Lending

### Loans under Management

The following table sets out some key figures in relation to the Issuer's loan book:

	<u>As at 31 March 2021</u>
	<u>Rs. billions</u>
Gross Loans .....	5,699
Less: Loans securitised — on which spread is earned over the life of the loan ..	716
Loans Outstanding .....	4,983

### Assets under Management

As of Fiscal 2021, the product-wise break-up of loans on an AUM basis was - individual loans: 77 per cent.; corporate loans: 6 per cent.; construction finance: 10 per cent.; and commercial lease rental discounting: 7 per cent..

	<u>Loan Book outstanding</u>		<u>Loan Book outstanding before<sup>(1)</sup> sell down in last 12 months</u>		<u>Assets under Management</u>	
	<u>Rs. billions</u>	<u>per cent. Growth</u>	<u>Rs. billions</u>	<u>per cent. Growth</u>	<u>Rs. Billion</u>	<u>Per cent. Growth</u>
Individuals .....	3,688	13	3,878	19	4,402	12
Non-Individuals....	1,295	4	1,295	4	1,297	4
Total .....	4,983	11	5,173	15	5,699	10

Note:

<sup>(1)</sup> .....Individual loans sold (outstanding) : Rs. 714 bn (US\$ 9.70 bn).

On an AUM basis, the growth in the individual loan book was 12 per cent and the growth in the total loan book on an AUM basis was 10 per cent.

The growth in the individual loan book, after adding back loans sold in the preceding twelve months was 19 per cent (13 per cent net of loans sold).

The growth in the total loan book would have been 15 per cent had the Issuer not sold any loans Fiscal 2021.

### Sale of loans

The Issuer transfers loans through securitisation and direct assignment transactions. The transferred loans are de-recognised and gains/losses are accounted for only if the Issuer transfers substantially all risks and rewards specified in the underlying assigned loan contract. The Issuer continues to service these loans.

In accordance with Ind AS 109, on de-recognition of a financial asset under assigned transactions, the difference between the carrying amount and the consideration received are recognised in the Statement of Profit and Loss. The residual income on loans sold is recognised at the time of actual collections (i.e. over the life of the underlying loans)

During the year ended 31 March (**Fiscal**) 2021, the Issuer sold loans amounting to Rs. 190 billion, of which Rs. 57 billion qualified as priority sector advances for banks. During Fiscal 2020, the Issuer sold loans amounting to Rs. 241 billion of which Rs. 49 billion qualified as priority sector advances for banks. During Fiscal 2021, all

loans were assigned to HDFC Bank. The amount of principal outstanding of individual loans that were sold under the mortgage backed securities and loan assignment route as of Fiscal 2021 stood at Rs. 714 billion.

### **Loan Book**

As of Fiscal 2021, the Issuer's outstanding loan book amounted to Rs. 4,983 billion. A breakdown of the total loans outstanding for the various customer categories and as a percentage of total outstanding loans as of Fiscal 2021 and Fiscal 2020 were as follows:

	<b>As of Fiscal (Rs. billion, except percentages)</b>			
	<b>2021</b>	<b>per cent</b>	<b>2020</b>	<b>per cent</b>
Individuals .....	3,688	74.00	3,258	72.27
Corporate Bodies .....	1,227	24.64	1,182	26.21
Others .....	68	1.36	68	1.52
<b>Total .....</b>	<b>4,983</b>	<b>100</b>	<b>4,509</b>	<b>100</b>

The Issuer's home loans have continued to grow as a result of increased demand for home loans, more affordable interest rates, increased fiscal benefits available to home owners, higher disposable incomes and increased urbanisation.

In Fiscal 2021, the Issuer's loan book increased from Rs. 4,509 billion to Rs. 4,983 billion. In addition, total loans securitised and/or assigned by the Issuer and outstanding as at Fiscal 2021 amounted to Rs. 716 billion.

In Fiscal 2021, the lower growth in the loan book was due to the continued unfavourable lending environment for non-individual loans that prevailed during the year. Risk averseness in lending, high leverage and credit rating downgrades led to increased corporate stress and heightened risks, particularly in the construction finance. In order to preserve asset quality, the Issuer opted to be prudent by curtailing some of its lending to non-individual loans.

The net increase in the loan book during the year (after removing the loans that were sold) stood at Rs. 474 billion.

Principal loan repayments stood at Rs. 921 billion compared to Rs. 902 billion in the previous year after excluding loans written off during the year amounting to Rs. 13.72 billion (Previous Year: Rs. 9.95 billion).

Prepayments on retail loans stood at 10.3 per cent. of the opening balance of individual loans compared to 10.9 per cent. in the previous year, 64 per cent. of which were full prepayments.

The growth in housing loans in the banking sector Fiscal 2021 also entailed substantial buy-outs of home loan portfolios from other housing finance companies and NBFCs. In comparison, the entire growth in the Issuer's loan portfolio was organic.

### ***Interest rates***

An important component of the Issuer's asset and liability management policy is its management of interest rate risk, which is the relationship between market interest rates and interest rates on its interest-earning assets and interest-bearing liabilities. For details of the Issuer's risk management policy, please refer to "*Risk Management — Financial Risk Management*".

Currently, the housing finance industry in India is principally based on floating rate lending. The interest rates on the Issuer's individual floating rate loans are benchmarked to its RPLR and on non-individual loans to its CPLR. As of 31 March 2021, 85 per cent. of the assets and 78 per cent. of the liabilities were on a floating rate basis.

### ***Size and concentration of loans***

The HFC Directions 2021, restrict HFCs from making loans to a single borrower, or a single group of borrowers, in excess of 15 per cent. and 25 per cent., respectively, of an HFC's owned fund.

As of 31 March 2021, Issuer's twenty largest borrowers amounted to Rs. 545 billion, representing approximately 10.94 per cent. of the Issuer's total loans outstanding.

### ***Collateral***

Most of the loans provided by the Issuer are secured by an equitable mortgage over the property being financed. Loans could also be secured, or partly secured, by pledges of shares, units or other securities, assignments of life insurance policies, hypothecation of assets, bank guarantees, company or personal guarantees, negative liens or assignments of hire purchase receivables. There could also be loans provided which are accompanied by undertakings to create a security.

Currently under the HFC Directions 2021, maximum loan size for loans below Rs. 3.0 million is 90 per cent. of the cost of the property, for loans above Rs. 3.0 million to Rs. 7.5 million is 80 per cent. of the cost of the property and for loans above Rs. 7.5 million is 75 per cent. of the cost of the property, and further based on the Issuer's evaluation of the repayment capacity of the customer. The security for the loan is an equitable mortgage of the property to be financed and/or such other collateral security as may be necessary.

The Issuer normally uses in-house valuers to value properties to be given as security. It considers these valuations to be more conservative than market valuations as it is typically the lesser of the transaction value and the market value of the property. Further, NHB as per its circular dated 29 December 2017 on Valuation of Properties - Empanelment of Valuers, has prescribed for the valuation of properties by external valuers for loans above certain threshold. The Issuer has a Board approved policy with regard to the same.

### ***Credit policy***

Before granting loans to its customers the Issuer performs a credit appraisal of each potential borrower in order to reduce its exposure to credit risk.

The Issuer's credit policy is central to all of its lending activities and functions. The Issuer's standard credit norms and procedures are reviewed periodically and are applicable to all segments of its business.

The credit approval process is initiated at the office where the initial application is made. Each loan approval passes through various levels of assessment, from the time a customer requests the loan, until the time the loan is disbursed.

The Issuer's loan approval process is decentralised, with varying approval limits. Loan proposals are referred to Committees of management, which in certain cases include some of the Issuer's Directors. The Chief Risk Officer is also required to vet certain loan proposals from a risk perspective.

### ***Key components of the Issuer credit appraisal process***

- *Information Acquisition:* gathering authentic and reliable customer information is essential for the Issuer's credit appraisal processes.
- *Carefully Designed Application Form:* the application form captures the applicant's income and stability factors, such as the employment and dependency details, age and educational status and other financial obligations of the applicant, among other details.

- *Standard Document List*: the standard documentation to be provided by the applicant includes evidence of identification, income, employment, asset holdings and details of the property to be financed.
- *Customer Interface*: a personal meeting/telephone discussion is carried out with the customer. This helps in arriving at the credit decision and aids in satisfying any queries.
- *Customer Credit Verifications*: the Issuer ensures that employer and residence field credit investigations are executed to verify that the information supplied by the customer is authentic.
- *Credit Bureau Report*: Credit Information Bureau (India) Limited (**CIBIL**) is a repository of information which contains credit histories of customers. CIBIL provides this information to its members in the form of credit information reports.

### ***Credit appraisal***

Post-documentation and information gathering, the process of credit appraisal begins. Each loan goes through four levels of assessment: the appraiser at level one; the double checker at level two; and two approvers at levels three and four. These levels of assessment are conducted by officers with a stipulated level of experience, with clear financial delegations at each level.

The loan processing software has in-built warnings and validations with respect to the Issuer's credit policy, internal process and government regulations.

### ***Disbursement diligence***

- *Legal Due Diligence*: a specialised in-house team scrutinises the transaction-related documents, checking various legal issues such as the authenticity of the ownership papers of the seller and compliance with statutory approvals laid down by the relevant authorities. This is an important aspect as, in India, land ownership falls under the purview of state legislation and laws differ from state to state.
- *Technical Due Diligence*: a specialised in-house team assesses the property and confirms that the property selected conforms to the appropriate building plans and standards.
- *Disbursement*: the handing over of the cheque of the approved amount to the customer occurs only if the required legal and technical diligence reports are satisfactory.

### ***Asset Quality***

Given the increased financial stress in the system, the Issuer continued to lay great emphasis on asset quality and ensured that there is adequate provisioning for unforeseen contingencies.

The following table sets forth the details of the Issuer's gross non-performing loans, as a percentage of its portfolio, and the provision for contingencies as a percentage of its portfolio:

As of Fiscal 2021, 2020 and 2019:

<b>Gross non-performing loans as a percentage of the portfolio</b>		
31 March 2021.....	Rs. 98 billion	1.98 per cent.
31 March 2020.....	Rs. 89 billion	1.99 per cent.
31 March 2019.....	Rs. 48 billion	1.18 per cent.

## NHB Provisioning Norms as per the HFC Directions 2021

Standard Assets	NHB Norms
Standard Assets – Individual Housing – Non- Commercial Real Estate (CRE) .....	0.25%
Standard Assets – Individual Housing – CRE .....	1%
Standard Assets – Individual Non-Housing .....	0.40%
Standard Assets – Non-Individual – CRE – Residential Housing(RH)....	0.75%
Standard Assets – Non-Individual – CRE – Others.....	1%
Standard Assets – Non-Individual – Non- CRE .....	0.40%
<b>NPA Cases</b>	
Sub-Standard Assets.....	15%
Doubtful Assets: .....	
Period for which the Asset has been considered as doubtful	
Upto One Year.....	25%
One to Three Years.....	40%
More than Three years.....	100%
Loss Assets .....	100%
Additional Provisioning against identified loans – Standard, Substandard or Doubtful.....	Up to 100% depending on the extent of imperfection in documentation/ Security

On a gross basis, the Issuer has written off loans aggregating to Rs 13.72 billion in Fiscal 2021. On loans that have been written off, the Issuer will continue making efforts to recover the money. The Issuer has, since its inception, written off loans (net of subsequent recovery) aggregating to Rs. 33.66 billion. As at Fiscal 2021, the total loan write offs stood at 21 basis points of cumulative disbursements since inception of the Issuer.

In accordance with the Issuer's write off policy, loans may entail either a partial or a full write off, determined on a case-by-case basis.

During Fiscal 2021, where recovery has proven to be difficult, the Issuer has adopted various methods to settle loans. In certain instances, the Issuer has initiated insolvency proceedings. The Issuer has also opted to reach settlements through sell-downs to asset reconstruction companies, institutions or private equity players. In certain overdue loans, the Issuer has resorted to the invocation of pledged shares.

In addition, given the increased stress faced by developers, the Issuer has in selected cases, entered into debt asset swap (DAS) arrangements entailing immovable property. Whilst entering into such arrangements, the Issuer's key considerations are the marketability and salability of the property, its present and expected valuation, demand and supply factors based on the location of the property, legal titles, whether it is free from encumbrances, amongst other factors. The properties taken over by the Issuer are a mix of residential and commercial properties located in key metropolitan cities. The properties are either for the Issuer's own use or being held for capital appreciation, which the Issuer will dispose of at an appropriate time and in accordance with directions as stipulated by NHB.

The Company has, in selected cases, entered into debt asset swap arrangements, where the gross carrying amount of the financial and non-financial assets taken over as at 31 March 2021 stood at Rs. 3.47 billion and Rs. 14.32 billion respectively.

### Impairment on Financial Instruments - Expected Credit Loss

Under Ind AS, asset classification and provisioning moves from the 'rule based', incurred loss model to the Expected Credit Loss (ECL) model of providing for expected future credit losses. As such, loan loss provisions are made on the basis of the Issuer's historical loss experience and future expected credit loss, after factoring in various other parameters.

## Classification of Assets

<u>Exposure at Default (EAD)</u>	<u>As of Fiscal 2021</u>	<u>As of Fiscal 2020</u>
Stage 1 .....	91.4%	92.2%
Stage 2 .....	6.3%	5.5%
Stage 3 .....	2.3%	2.3%
<b>As per IND AS</b>	<b>Fiscal 2021</b>	<b>Fiscal 2020</b>
Gross Stage 1 .....	4,540	4,159
ECL Provision Stage 1 .....	10.87	3.46
Net Stage 1 .....	4,529	4,155
Coverage Ratio % Stage 1 .....	0.24%	0.08%
Gross Stage 2 .....	315	248
ECL Provision Stage 2 .....	59	58
Net Stage 2 .....	257	190
Coverage Ratio % Stage 2 .....	19%	23%
Gross Stage 3 .....	116	103
ECL Provision Stage 3 .....	61	49
Net Stage 3 .....	56	54
Coverage Ratio % Stage 3 .....	52%	47%
EAD .....	4,972	4,509
ECL Provision .....	130	110
Net .....	4,842	4,399
ECL/EAD (%) .....	2.62%	2.44%

The total balance in the Impairment on Financial Instruments – Expected Credit Loss (provisions carried) as at Fiscal 2021 amounted to Rs. 130 billion. This is equivalent to 2.62 per cent of the EAD. The balance in the Impairment on Financial Instruments – Expected Credit Loss more than adequately covers loans where the instalments were in arrears for over 90 days.

## Funding

### Overview

The Issuer has expanded its sources of funds in order to reduce its funding costs, protect interest margins and maintain a diverse funding portfolio that will enable it to achieve funding stability and liquidity.

### Sources of borrowings

Borrowings as at 31 March 2021 amounted to Rs. 4,414 billion compared to Rs. 4,191 billion in the previous year - an increase of 13 per cent. Borrowings constituted 78 per cent. of funds employed as at 31 March 2021. Of the total borrowings, debentures and securities constituted 42 per cent, deposits 34 per cent. and term loans 24 per cent.

<u>Borrowings (in Rs. Bn)</u>	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>
Term Loans .....	1,052	1,049
Market Borrowings .....	1,861	1,819
Deposits .....	1,501	1,323
<b>Total .....</b>	<b>4,414</b>	<b>4,191</b>

### *Subordinated Debt*

As of 31 March 2021, the Issuer's outstanding subordinated debt stood at Rs. 40 billion. The debt is subordinated to the Issuer's present and future senior indebtedness. Based on the balance term to maturity, as of 31 March 2021, Rs. 18 billion of the book value of subordinated debt is considered as Tier-II under the guidelines issued by the NHB, for the purpose of capital adequacy computation.

### *Debentures and securities*

During Fiscal 2021, the Issuer issued non-convertible debentures (**NCDs**) amounting to Rs. 498 billion on a private placement basis. The Issuer's issuances of NCDs have been listed on the Wholesale Debt Market segment of either the NSE or BSE, or the Wholesale Debt Market segments of both the Stock Exchanges. These issuances of non-convertible debentures have been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable' by CRISIL and ICRA, respectively. As of 31 March 2021, outstanding NCDs, excluding subordinated debt, amounted to Rs. 1,485 billion.

As of 31 March 2021, the Issuer has outstanding zero coupon debentures amounting to Rs. 5 billion.

### *Deposit products*

The Issuer offers a range of term deposit products to individuals, associations of persons, co-operatives, educational and charitable trusts and corporate bodies. The term deposit products carry competitive rates of interest and have different features to suit investor requirements. In 2019, 2020 and 2021, the Issuer's deposits have been rated 'CRISIL AAA/Stable' and 'ICRA AAA/Stable' by CRISIL and ICRA, respectively. The Issuer accepts deposits in accordance with the guidelines stipulated in the HFC Directions 2021. As of 31 March 2021, the Issuer had deposits outstanding of Rs. 1,501 billion.

### *Term loans from scheduled commercial banks and institutions and refinance from NHB*

As of 31 March 2021, the total loans outstanding from scheduled commercial banks, financial institutions and NHB (including foreign currency borrowing) amounted to Rs. 1,052 billion, as compared to Rs. 1,049 billion on 31 March 2020.

### *Foreign currency borrowings*

On 31 March 2021, the outstanding foreign currency borrowings of U.S.\$1.38 billion, constituted borrowings from FCNR (B) loans from commercial banks amounting to U.S.\$0.04 billion. Asian Development Bank under the Housing Finance Facility Project amounting to U.S.\$0.01 billion and External Commercial Borrowing (**ECB**) under RBI's Low Cost Affordable Housing Scheme amounting to U.S.\$1.33 billion and JPY 53 billion.

### *Establishment of MTN Programme and issuance of Rupee Denominated Bonds*

The Issuer has raised Rs. 110 billion through Rupee Denominate Bonds under its U.S.\$2.8 billion MTN Programme since it was established in 2017. The MTN Programme was established so as to enable the Issuer to issue debt instruments in the international capital markets, subject to regulatory approvals.

As of 31 March 2021, the outstanding amount of Rupee Denominated Bonds which have not matured is Rs. 28 billion. The Company did not raise any funds through Rupee Denominated Bonds during Fiscal 2021. The outstanding Rupee Denominated Bonds are listed on London Stock Exchange.

## Rating

Both CRISIL and ICRA, the leading rating agencies in India, have assigned an “AAA” rating for the Issuer’s deposits, bonds and debentures. This rating represents the highest safety grade with respect to timely repayment of principal and interest.

## Summary of indebtedness

The following table sets forth the details of the Issuer’s indebtedness as of the dates mentioned:

	<u>As of 31 March</u> <u>2020</u>	<u>As of 31 March</u> <u>2021</u>
	<i>(in Rs. billions)</i>	
<b>Financial Liabilities</b>		
(a) Derivative financial instruments .....	3.21	16.61
(b) Payables	-	-
(A) Trade Payables .....	-	-
(i) total outstanding dues of micro enterprises and small enterprises.....	0.04	0.07
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises .....	1.93	3.32
(B) Other Payables .....	-	-
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises .....	-	-
(c) Debt Securities .....	1,768.69	1,820.54
(d) Borrowings (Other than Debt Securities) .....	1,049.09	1,051.79
(e) Deposits .....	1,323.24	1,501.31
(f) Subordinated Liabilities .....	50.00	40.00
(g) Other financial liabilities .....	158.96	129.99
<b>Total Financial Liabilities</b> .....	<b>4,355.16</b>	<b>4,563.56</b>
<b>Non-Financial Liabilities</b>		
(a) Current tax liabilities (Net) .....	1.93	4.41
(b) Provisions .....	2.61	2.51
(c) Other non-financial liabilities .....	19.67	17.66
<b>Total Non-Financial Liabilities</b> .....	<b>24.20</b>	<b>24.59</b>
<b>Total liabilities</b> .....	<b>4,379.36</b>	<b>4,588.15</b>

The following table shows the net increase in funding for the Issuer for FY 2021 compared to FY 2020:

	<u>31 March 2020</u>	<u>31 March 2021</u>	<u>Net Increase</u>	<u>FY 2021 compared to FY 2020</u>
	<i>(in Rs. billions)</i>		<i>(in Rs. billions)</i>	<u>per cent. of incremental funding</u>
Term Loans .....	1,049.07	1,051.79	2.72	1%
Debentures & Securities .....	1,818.69	1,860.55	41.86	19%
Deposits .....	1,323.24	1,501.31	178.07	80%
<b>Total</b> .....	<b>4,191.02</b>	<b>4,413.65</b>	<b>222.65</b>	<b>100%</b>



The Issuer's ability to incur additional debt in the future is subject to a variety of uncertainties including, among other things, the amount of capital that other Indian entities may seek to raise in the domestic and foreign capital markets, economic and other conditions in India that may affect investor demand for its securities and those of other Indian entities, the liquidity of the Indian capital markets and the Issuer's financial condition and results of operations. The Issuer intends to continue to utilise long-term debt.

### **Debt – equity ratio and interest coverage ratio**

The following table sets out the Issuer's equity ratio and interest coverage ratio for Fiscal 2021 and 2020 on a standalone basis :

	<b>Fiscal</b>	
	<b>2021</b>	<b>2020</b>
Debt to equity ratio.....	4.1 : 1	4.9 : 1
Interest coverage ratio .....	1.5	1.4

### **Employees**

As of 31 March 2021, the Issuer had 3,226 full-time employees.

The Issuer recognises that training and continuous upgrading of skill sets are essential to ensure a high calibre workforce. New recruits participate in an induction programme at the Centre for Housing Finance, which is the Issuer's training centre in Lonavla. Other in-house training programmes are conducted on subjects like Know Your Customer, Credit Fraud Risk and Mitigation, Disbursement Processes, Rural Housing and Appraisal Techniques for Customers from the Unorganised Sector. Training is also imparted in specialised fields of legal and credit risk management. In addition, staff members are nominated for a variety of external training programmes in India and overseas.

Total assets per employee as of 31 March 2021 was Rs. 1.71 billion, as compared to Rs. 1.63 billion as of 31 March 2020, and net profit per employee for FY 2021 was Rs. 34 million, and was Rs. 30 million in FY 2020.

The Issuer offers its employees a range of incentives, including housing loans at reduced rates, vehicle/consumer financing, healthcare benefits and performance incentives. The Issuer also has employee stock option schemes.

The Issuer's employees are not represented by a union, which is consistent with other HFCs in India. The Issuer considers its relations with its employees to be good.

### ***Qualified Institutional Placement, 2020***

On 21 July 2020, the Issuer's Shareholders approved by way of a resolution passed through postal ballot to implement, create, issue, offer and allot Equity Shares of aggregate nominal face value not exceeding Rs. 71 million represented by 35,555,000 Equity Shares of Rs. 2 each, under the Employee Stock Option Scheme, 2020, on such terms and conditions and in such tranches, as may be decided by the Board. Following the approval, the Issuer completed its Qualified Institutional Placement (**QIP**) of equity shares and secured, redeemable non-convertible debentures simultaneously with warrants in August 2020.

Under the QIP, the Issuer raised Rs. 100 billion through the issue and allotment of 56,818,181 equity shares of face value of Rs. 2 each at an issue price of Rs. 1,760 per equity share (including a premium of Rs. 1,758 per equity share).

The Corporation also raised Rs. 3.07 billion through the issue and allotment of 17,057,400 warrants at an issue price of Rs. 180 per warrant which was paid upfront. The warrants carry a right exercisable by the warrant holder to exchange each warrant for one equity share of face value of Rs. 2 each of the Issuer at any time on or before

10 August 2023, at a warrant exercise price of Rs. 2,165 per equity share, to be paid by the warrant holder at the time of exchange of the warrants. As at 31 March 2021, no warrants had been converted into equity shares.

The maximum equity dilution on account of the aforesaid QIP issue, assuming full conversion of all the warrants into equity shares at the warrant exercise price is 4.23 per cent., based on the enhanced share capital.

### **Key Subsidiaries and Associates**

Housing finance continues to remain the Issuer's core business. While the main focus is to grow the housing portfolio, the Issuer has made investments in various group companies in order to capitalise on its strong brand and to maximise returns for shareholders. These group companies have strong synergies with the Issuer and such diversification enables it to offer a wide range of financial services and products to its customers. Some of the key subsidiaries and associate companies are described below.

The financial information used in this sub-section is derived from the relevant Subsidiary's audited financial statements prepared under Indian GAAP.

In March 2020, the Issuer, along with seven other Indian private and public sector commercial banks, invested equity capital in the RBI's 'Yes Bank Reconstruction Scheme'. This was a collective effort of the government, the RBI and investors to infuse capital in YES Bank Limited with the broader objective of retaining financial system stability. The Issuer invested in Rs. 1 billion equity shares of face value of Rs.2 each for a consideration of Rs. 10 per share (premium of Rs. 8 per share), aggregating Rs. 10 billion. As per the scheme, 25 per cent. of the Issuer's equity shares are free, while 75 per cent. are locked-in for a period of 3 years commencing from 13 March 2020.

#### ***HDFC Bank Limited***

HDFC Bank Limited (**HDFC Bank**), a scheduled commercial bank, was promoted by the Issuer in Fiscal 1993. Its equity shares are listed on the BSE and the NSE. As of 31 March 2021, its market capitalisation on the NSE and BSE was Rs. 8,234,159 million and Rs. 8,233,607 million, respectively. It also has American depository receipts listed on the New York Stock Exchange.

The Issuer and HDFC Bank maintain an arm's length relationship out of good corporate governance and in accordance with the regulatory framework. Both organisations capitalise on the strong synergies in order to effectively provide a wide range of products and services under the 'HDFC' brand name. HDFC Bank sources home loans for a fee and the loans are originated in the Issuer's books. The Issuer offers a part (up to 70 per cent.) of the disbursed loans either through the issue of mortgage backed Pass Through Certificates (**PTCs**) or by a direct assignment of loans to HDFC Bank.

As at 31 March 2021, advances of HDFC Bank stood at Rs. 11,328,366 million, an increase of 14.0 per cent over the same period in 2020. Total deposits stood at Rs. 13,350,602 million, an increase of 16.3 per cent over the same period in 2020. As at 31 March 2021, HDFC Bank's distribution network included 5,608 branches and 16,087 ATMs/ Cash Deposit and Withdrawal Machines (CDMs). In addition, HDFC Bank has 15,756 business correspondents, which are primarily manned by the Common Service Centres. For the year ended 31 March 2021, HDFC Bank reported a profit after tax of Rs. 311,165 million as compared to Rs. 262,573 million in the same period in 2020, representing an increase of 18.5 per cent.

The RBI, *vide* notification dated 4 December 2020, stated that in view of the ongoing stress and heightened uncertainty on account of Covid-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended 31 March 2020. HDFC Bank did not declare a dividend for the financial year ended 31 March 2020.

Given that the current 'second wave' has significantly increased the number of Covid-19 cases in India and uncertainty remains, the Board of Directors of HDFC Bank, at its meeting held on 17 April 2021, had considered it prudent to not propose a dividend for the financial year ended 31 March 2021, and decided to re-assess the position based on any further guidelines from the RBI in this regard. Subsequently, the RBI has, on 22 April 2021, vide its circular mentioned that banks may pay a dividend on equity shares from the profits for the financial year ended 31 March 2021, subject to the quantum of dividend being not more than 50 per cent. of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the 4 May 2005 circular of the RBI. In view of this RBI circular, the Board of Directors of HDFC Bank, at its meeting held on 18 June 2021, has recommended a dividend of Rs. 6.50 per equity share of Rs. 1/- each, for the financial year ended 31 March 2021. This recommendation from the Board of Directors of HDFC Bank was approved at its annual general meeting held on 17 July 2021.

As of 31 March 2021, the Issuer, together with its wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited, held 21.13 per cent. of the equity share capital of HDFC Bank.

### ***HDFC Life***

HDFC Life was established as a joint venture between HDFC Limited and Standard Life Aberdeen Plc (formerly known as Standard Life Plc). It had a paid-up share capital (including securities premium and share application money received pending allotment of shares) of Rs. 25,009 million as at 31 March 2021.

As on 31 March 2021, HDFC Life had 36 individual and 12 group products in its portfolio, along with 7 rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 390 branches and additional distribution touch-points through several new tie-ups and partnerships. The count of our partnerships is in excess of 300, comprising traditional partners such as NBFCs, MFIs and SFBs, and includes more than 50 new-ecosystem partners. HDFC Life has a strong base of over 1 lakh financial consultants.

Gross premium income of HDFC Life for the year ended 31 March 2021 stood at Rs. 385,835 million, an increase of 18.0 per cent., as compared to the year ended 31 March 2020. As at 31 March 2021, its assets under management (AUM) stood at Rs. 1,738,394 million, an increase of 36.6 per cent., compared to 31 March 2020.

For the year ended 31 March 2021, HDFC Life ranked #2 among private sector life insurers based on the individual weighted received premium with market share of 15.5 per cent. (Source: *Life Insurance Council of India disclosures*). Total new business premium income including single premium (Individual+Group) was Rs. 201,066 million for the year ended 31 March 2021. For the year ended 31 March 2021, HDFC Life ranked #2 in overall new business received premium in the private sector with market share of 21.5 per cent. (Source: *Life Insurance Council of India disclosures*). It ranked #1 among private sector life insurers in terms of group business with a market share of 27.6 per cent. (Source: *Life Insurance Council of India disclosures*).

HDFC Life reported a profit after tax of Rs. 13,601 million for the year ended 31 March 2021, as compared to Rs. 12,953 million for the year ended 31 March 2020, registering a growth of 5.0 per cent.

The solvency ratio of HDFC Life was 201 per cent. as at 31 March 2021, as compared to the minimum regulatory requirement of 150 per cent.

The Company's holding in HDFC Life as at 31 March 2021 was 49.97 per cent. and that of Standard Life (Mauritius Holdings) 2006 Limited was 8.88 per cent., and the balance was held by others.

HDFC Life was listed on 17 November 2017 on both the stock exchanges (BSE and NSE) of India, being the third private life insurance company to get listed in India. The market capitalisation of the company based on market price (on NSE) as at 31 March 2021 was Rs. 1,406,981 million.

HDFC Life issued and allotted sub-ordinated debt on 29 July 2020, in the form of unsecured, fully-paid, rated, listed, redeemable Non-convertible debentures (NCD) of Rs. 6,000 million to enhance the solvency of HDFC Life, at a coupon rate of 6.67 per cent. per annum.

### ***Reduction of Shareholding***

The RBI directed the Issuer to reduce its shareholding in its insurance companies to 50 per cent. or below. Based on the Issuer's shareholding in HDFC ERGO General Insurance Company Limited and taking into consideration the share exchange ratio (for the merger of HDFC ERGO General Insurance Company Limited with HDFC ERGO Health Insurance Ltd), the Issuer is entitled to a 50.58 per cent. stake in the merged entity (i.e. HDFC ERGO General Insurance Company Limited). The RBI directed the Issuer to bring down its shareholding in the merged entity to 50 per cent. or below within a period of six months from the effective date of the merger. Accordingly, on 19 June 2021, the Board of Directors of the Issuer approved the sale of 4.99 per cent. of its shareholding in HDFC ERGO General Insurance Company Limited. On 20 July 2021, the shareholders of the Issuer approved the transaction and the Issuer expects it to be completed by 30 September 2021 (subject to receipt of relevant regulatory and shareholders' approvals).

The RBI also directed the Issuer to reduce its shareholding in HDFC Life to 50 per cent. or below on or before 16 December 2020. As at the date of this Offering Circular, the Issuer holds 49.97 per cent. of the paid-up share capital of HDFC Life.

### **Information Technology**

The Issuer's investments in technology have always been dictated by value enhancements for customers. Most of its systems have been developed in-house and all of its offices are electronically inter-connected. Technology has helped to reduce cycle time and has enabled the organisation to enhance customer satisfaction.

The Issuer website, [www.hdfc.com](http://www.hdfc.com), offers a number of interactive features and email based services.

The website offers information on the Issuer's products and services, including interactive tools such as a monthly instalment calculator and a deposit calculator. Through the website, the Issuer provides customers with an option of applying for housing loans online. The number of applications received for online loans, particularly from NRIs, has been encouraging.

The investor's section on the website provides relevant information on the Issuer, including responses to frequently asked questions by investors. An up-to-date corporate profile has also been made available to investors and lenders on the website. In order to reach out and connect more effectively with customers, the Issuer embarked on a number of digital initiatives including a revamped website, development of a mobile application, and building a stronger presence on various social media platforms.

### **Insurance**

The Issuer's policy is to insure all of its properties adequately against fire and other usual risks. The Issuer also maintains insurance for operational risks such as the loss or theft of cash or securities.

The Issuer's insurance policies are subject to exclusions which are customary for those insurance policies, including those exclusions which relate to war and terrorism-related events.

The Issuer believes that its insurance policies, as described above, are appropriate for its business.

### **Litigation**

The Issuer, its Subsidiaries and Associates are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, among others, tax, regulatory and other disputes.

As on the date of this Offering Circular, except as disclosed hereunder, the Issuer, its Subsidiaries and Associates are not involved in any material governmental, legal or arbitration proceedings or litigation and it is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to it which, in either case, to the extent quantifiable, exceeds Rs. 1.1 billion or may have a significant effect on the financial condition, the results of operations or cash flows of the Issuer, on a consolidated basis.

#### *NHB Notice – December 2019*

On 16 March 2020, the NHB imposed a cumulative penalty of Rs. 100,300 (inclusive of taxes) in relation to non-compliances with certain provisions of the NHB Directions with respect to asset classification, and for not obtaining periodical reports on the business undertaken by the Dubai and London representative offices of the Issuer, as observed in its inspection report dated 15 July 2019 for the financial year ended 31 March 2018. The penalty has been paid by the Issuer on 9 April 2020.

#### *Late Filings*

On 22 May 2020, RBI imposed a late submission fee of Rs. 250,000 on the Issuer for delayed filing of the downstream investment form (**Form DI**) for the downstream investment made by the Issuer in HDFC Credila Financial Services Private Limited. The Issuer had initially filed the Form DI on 29 April 2020 with the RBI, which was rejected due to want of certain clarifications and was then resubmitted on 6 May 2020. The penalty has been paid by the Issuer on 5 June 2020.

#### *NHB Monetary Penalty – June 2020*

On 29 September 2020, the NHB imposed a monetary penalty of Rs. 150,000 (exclusive of taxes) on the Issuer in relation to non-compliances with certain provisions of the NHB Directions inter alia, in the methodology used for certain types of asset classification as well as classification and rollovers of certain inter-corporate deposits. The penalty has been paid by the Issuer on 8 October 2020.

#### *NHB Monetary Penalty – July 2021*

On 5 July 2021, the NHB imposed a monetary penalty of Rs. 475,000 (plus GST) on the Issuer for technical non-compliance with NHB circular NHB(ND)/DRS/PolNo.58/2013-14 dated 18 November 2013 and NHB(ND)/DRS/Policy Circular No.75/2016-17 dated 1 July 2016. The Issuer has paid the said penalty on 19 July 2021, simultaneously holding on to its reservations with respect to the merits.

Capitalised terms used herein shall, unless otherwise specified, have the meanings ascribed to such terms in this section.

### **Intellectual property**

We have registered our service mark under the Trade Marks Act, 1999.

### **Litigation against the Issuer**

The Issuer is involved in a number of legal proceedings in the ordinary course of its business. Accordingly, the Issuer believes that there are currently no legal proceedings which, if adversely determined, might materially affect its financial condition or results of operations.

### **Defaults in respect of dues payable**

As of the date of this Offering Circular, there is no outstanding default in payment of statutory dues (except on account of certain outstanding disputes with the Indian tax authorities, as stated above), repayment of debentures and interest thereon, repayment of deposits and interest thereon and repayment of loans from any bank or financial

institution and interest thereon. As at Fiscal 2021, the outstanding statutory dues of the Issuer relating to wealth tax, interest on lease tax and employees' state insurance, are as follows:

<u>Name of Statute</u>	<u>Nature of Dues</u>	<u>Forum where Dispute is Pending</u>	<u>Period to which the Amount Relates</u>	<u>Amount Involved (INR million)</u>
Maharashtra Sales Tax on the Transfer of the Right to use any Goods for any Purpose Act, 1985 .....	Interest on Lease Tax	Commissioner of Sales Tax (Appeals) CESTAT West Zone, Mumbai	1999-2000	0.2
The Finance Act, 1994 .....	Service Tax		2007-2012	8

### **Impact of Covid-19**

The Company identified three pillars as key areas to monitor to assess the financial impact of Covid-19 on the Company:

- (a) *Liquidity:* In the first half of the year ended 31 March 2021, the Company maintained significantly higher levels of liquidity compared to the year ended 31 March 2020. This was against the backdrop of an extremely credit averse environment, particularly in April and May 2020. In the second half of the year ended 31 March 2021, as liquidity conditions eased, the Company gradually reduced its average levels of investments in liquid funds. The maintenance of higher liquidity buffers entailed a negative carry, but was necessary as a prudent strategy given the overall uncertainties on account of Covid-19. During the year ended 31 March 2021, the Company remained a beneficiary in terms of flight to safety, which is best reflected in the increase in deposits. The Company was able to raise resources from multiple sources. The Company stands comfortable on liquidity.
- (b) *Growth:* The individual loan business was impacted in the first half of the year ended 31 March 2021 due to the imposition of a strict national lockdown. The growth trajectory improved gradually as restrictions were lifted and from September 2020 onwards, growth trends normalised. Subsequently, the demand for home loans surpassed expectations. In the second half of the year ended 31 March 2021, the Company saw strong growth of receipts, approvals and disbursements of individual loans.

During the year ended 31 March 2021, the risk averse environment continued for non-individual loans and the Company opted to restrict its lending to select, high rated entities.

Overall, despite the impact of Covid-19, the Company believes that it is able to serve its customers through its digital platforms and/or its physical offices.

- (c) *Asset Quality:* Concerns on asset quality persist, particularly for non-individual loans. While various interventions by the government and RBI helped alleviate financial stress, at a systemic level, non-performing loans across stressed sectors continue to be of concern. As far as individual loans are concerned, and given that most homebuyers are genuine users of their homes and already have substantial equity in their home, a rise in delinquency rates on individual home loans should not be protracted. In March 2021, individual collection efficiency was 98 per cent. and was in line with pre-Covid-19 levels. However, the impact of the second wave of Covid-19 on both individual and non-individual loans is currently uncertain and continues to remain a key area to monitor.

### ***Covid-19: Key Regulatory Forbearances and Schemes***

To alleviate Covid-19 induced financial stress, various measures, forbearances and schemes were put in place by the government, RBI and other authorities, including but not limited to:

- Corporate debt defaults arising between 25 March 2020 and 25 March 2021 remained out of the purview of the Insolvency and Bankruptcy Code 2016;
- RBI initially permitted lenders to offer a moratorium on the payment of instalments falling due between 1 March 2020 and 31 May 2020 (**Moratorium 1**) to eligible borrowers whose accounts were standard as at 29 February 2020. This was further extended to 31 August 2020 (**Moratorium 2**). In respect of accounts that were granted the moratorium, the asset classification remained standstill during the moratorium period,
- The Company offered the moratorium to eligible customers through the 'opt-in' mechanism during Moratoriums 1 and 2 (the **Moratorium Period**). After the Moratorium Period, the movement of ageing has been at actuals. As at 31 March 2021, there are nil accounts where asset classification benefits are extended. The Company has made adequate provisions for impairment loss as per its Expected Credit Loss model. Disclosures are provided in the notes forming part of the standalone financial statements.
- The Supreme Court of India (Hon'ble SC) in a public interest litigation vide an interim order dated 3 September 2020 directed that accounts which were not declared as non-performing assets (**NPA**s) until 31 August 2021 would not be declared as NPA until further orders. This interim order granted stood vacated 23 March 2021 based on the judgement of the Hon'ble SC. During the three months ended 3 September 2020 and 30 December 2020, no additional borrower accounts under the moratorium granted 'category' were classified as NPA which was not declared as NPA until 31 August 2020. However, the Company classified such accounts as 'stage 3' and provisioned accordingly in the Statement of Profit and Loss. Such accounts were also reported as proforma NPA numbers during the three months ended 30 September and 30 December 2020. See "*- Impact of Covid-19*" for further details on asset quality.
- In August 2020, RBI allowed a one-time restructuring (**OTR**) of loans due to Covid-19 related stress without classifying them as NPA. Eligible borrowers were those classified as standard, but not in default for more than 30 days as at 1 March 2020. The resolution under this framework for eligible loans was invoked by 31 December 2020. For personal loans, the resolution had to be implemented by 31 March 2021. For all other loans, the resolution is to be implemented by 30 June 2021. Where there were multiple lending institutions with exposures to the borrower, an inter-creditor agreement had to be signed within 30 days of invocation.
- As at 31 March 2021, total loans invoked under the above framework stood at Rs. 44.79 billion which was equivalent to 0.8 per cent. of loans under management. Of the loans being restructured, 27 per cent. are individual loans and 73 per cent. are non-individual loans. The largest account under the resolution framework accounted for 0.5 per cent. of Assets Under Management.
- As at 31 March 2021, 3,776 loan accounts were restructured which amounted to Rs. 36.87 billion. The Company has classified these loans as 'stage 2' accounts and made necessary provisions on the same.
- The government's Emergency Credit Line Guarantee Scheme (ECLGS 1.0 & 2.0) provides a 100 per cent. guarantee on loans up to 20 per cent. of the eligible borrower's total outstanding credit. ECLGS 1.0 is applicable for MSMEs and/or businesses with aggregate exposure up to Rs. 500 million, provided the account was not overdue for more than 60 days as at 29 February 2020. Under ECLGS 2.0, for borrowers with aggregate credit above Rs. 500 million and up to Rs. 5 billion, the scheme is restricted to 26 sectors as identified by the Kamath Committee under RBI's Resolution Framework and the health sector. Under ECLGS 2.0, the exposure could not be overdue for more than 30 days as at 29 February 2020.

ECLGS 1.0 and 2.0 were valid until 30 June 2021 and/or until guarantees of an aggregate amount of Rs. 3,000 billion is reached. Disbursements have to be availed before 30 September 2021.

As at 31 March 2021, under ECLGS 1.0 and 2.0, the Company approved 24.81 billion of loans and disbursed 9.35 billion. 93 per cent. of such loans were non-individual loans, predominantly in the hotel and real estate sectors.

- As a Covid-19 relief scheme, the government announced a grant of ex-gratia payment of the difference between compound interest and simple interest for six months to eligible borrowers for the Moratorium Period, irrespective of whether the moratorium was availed or not. The ex-gratia payment by the government was for certain categories of loans, such as housing loans, consumer loans, MSME loans amongst others, which were standard as at 29 February 2020. The aggregate facilities with all lending institutions did not exceed Rs 20 million.
- In November 2020, the Company implemented the scheme and credited the accounts or remitted the amounts to eligible borrowers. Out of the Company's total claim of Rs. 2.78 billion, an amount of Rs. 2.13 million was received from the government.
- Following the Hon'ble SC judgement dated 23 March 2021, RBI in April 2021 instructed lenders to refund and/or adjust the amount of interest on interest charged to all borrowers during the Moratorium Period, irrespective of whether the moratorium had been availed or not. The methodology for determining the amount of interest on interest charged was issued by the Indian Banks' Association.
- As at the date of this Offering Circular, the Company is in the process of implementing the above. As at 31 March 2021, the Company held a specific liability of Rs. 1.15 billion, which was debited to interest income to meet its obligation to refund interest on interest charged to eligible borrowers as prescribed by RBI. Accordingly, interest income for the year ended 31 March 2021 was lower by Rs. 1.15 billion.



## **RISK MANAGEMENT**

As a financial intermediary, the Issuer is exposed to risks that are particular to its lending business and the environment in which it operates. The Issuer's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise and it adheres strictly to the policies and procedures which are established to address these risks.

As a financial intermediary, the Issuer is primarily exposed to liquidity risk, interest rate risk, credit risk, operational risk and legal risk.

### **Financial Risk Management**

The financial risk management and hedging policy as approved by the Board of Directors of the Issuer sets limits for exposures on currency and interest rates. The Issuer manages its interest rate and currency risk in accordance with the guidelines prescribed. The risk management strategy is to protect against foreign exchange risk, while at the same time exploring any opportunities for an upside, so as to keep the maximum all-in cost on the borrowing within the range of or lower than the cost of a borrowing in the domestic market for a similar maturity.

The Issuer has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk and interest rate risk. It manages credit risk through stringent credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles.

The Issuer has, from time to time, entered into risk management arrangements in order to hedge its exposure to foreign exchange and interest rate risks. The currency risk on the borrowings is actively hedged through a combination of dollar denominated assets, long-term forward contracts, principal only swaps and currency options.

As at 31 March 2021, the Issuer had foreign currency borrowings of U.S.\$1.38 billion and JPY 53.20 billion. The Issuer has undertaken currency swaps, forward contracts and option contracts of a nominal amount of U.S.\$1.37 billion and JPY 53.20 billion and foreign currency arrangements of U.S.\$ 0.012 billion to hedge the foreign currency risk. As at 31 March 2021, the Issuer's net foreign currency exposure on borrowings net of risk management arrangements is nil.

As a part of asset liability management and on account of the predominance of the Issuer's Adjustable Rate Home Loan product, as well as to reduce the overall cost of borrowings, the Issuer has entered into Indian Rupee interest rate swaps of a notional amount as of 31 March 2021 of Rs. 93.16 billion, coupon only swaps of Rs 1.03 billion and U.S. dollar interest rate swaps of Rs. 8.72 billion for varying maturities to convert its fixed rate liabilities into floating rate liabilities linked to various benchmarks.

### **Revaluation of foreign currency assets and liabilities**

Assets and liabilities in foreign currencies net of risk management arrangements are converted at the rates of exchange prevailing at the year end, where not covered by forward contracts. Wherever the Issuer has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the exchange difference is amortised over the life of the contract.

The net loss/gain on translation of long-term monetary assets and liabilities in foreign currencies is amortised over the maturity period of monetary assets and liabilities and charged to the Statement of Profit and Loss. The unamortised exchange difference is carried in the balance sheet as 'foreign currency monetary item translation difference account'. The net loss/gain on translation of short-term monetary assets and liabilities in foreign currencies is recorded in the statement of profit and loss.

The Institute of Chartered Accountants of India (ICAI) has issued a guidance note on Accounting for Derivative Contracts effective from 1 April 2016. The guidance note requires all derivative contracts and their underlying to be marked to market and tested for hedge effectiveness and the ineffective portion if any would be charged to the Statement of Profit and Loss. There would be a one-time adjustment to the reserves on all such outstanding contracts as at 1 April 2016 i.e. the transition date. Thereafter the charge/credit to the Hedging Reserve/Statement of Profit and Loss will depend upon the changes in the mark to market based on the actual exchange rates prevalent at each quarter end. The exchange difference on the long-term foreign currency monetary assets and liabilities which are not covered by derivative contracts (such as dollar denominated loans) would continue to be amortised over the life of the contracts.

### **Asset-liability management (ALM)**

Under Schedule III of the Companies Act, 2013, the classification of assets and liabilities into current and non-current is based on their contracted maturities. However, the estimates based on past trends in respect of prepayments of loans, renewals of liabilities and liquid investments, which are in accordance with the ALM guidelines issued by NHB, have not been taken into consideration in classifying the assets and liabilities under Schedule III.

The Issuer's ALM position is based on maturity buckets as per guidelines issued by NHB. In computing the information, certain estimates, assumptions and adjustments have been made by the management.

The ALM position as of 31 March 2021 is as follows:

Assets and liabilities with maturity up to one year amounted to Rs. 126.35 billion and Rs. 113.41 billion respectively. Asset and liabilities with maturity greater than one year and up to five years amounted to Rs. 270.52 billion and Rs. 244.33 billion respectively and assets and liabilities with maturity beyond five years amounted to Rs. 183.73 billion and Rs. 223.03 billion respectively.

The Issuer's loan book is predominantly floating rates whereas liabilities, especially deposits and non-convertible debentures, are fixed rates. In normal economic conditions, the fixed rate liabilities are converted into floating rate denominated liabilities by way of interest rate swaps. The Issuer monitors money market conditions and will enter into interest rate swaps at an appropriate time to minimise the interest rate gap.

As of 31 March 2021, 85 per cent. of the assets and 78 per cent. of the liabilities were on a floating rate basis. Further, the Issuer has a Fixed Rate Home Loan Scheme and has kept some liabilities on a fixed rate basis to match out the expected disbursements under the fixed rate product.

### **Operational risk**

Operational risk can result from a variety of factors, including the failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. The Issuer attempts to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures, undertaking regular contingency planning and providing employees with continuous training.

### **Legal risk**

The uncertainty of enforcement of the obligations of the Issuer's customers and counterparties, including the Issuer's ability to foreclose on collateral, creates legal risk. Changes in law and regulation could adversely affect the Issuer's operations. It seeks to minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal and external legal advisers.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors

The Board presently consists of eight Directors and, as per the Issuer's Articles of Association, the Issuer shall have at least three Directors and not more than 15 Directors. The quorum for meetings of the Board is one-third of the total number of Directors or two Directors, whichever is higher. Where the number of interested Directors exceeds, or is equal to, two-thirds of the total number at a meeting, the number of remaining Directors present at such meeting, not being less than two, shall be the quorum during such time.

For the purposes hereof, the business address for Directors of the Issuer is HDFC House, H. T. Parekh Marg, 165-166 Backbay Reclamation, Churchgate, Mumbai 400 020, India.

No Director has any potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

The following table sets forth details regarding the Board as of the date of this Offering Circular:

<u>Sr. No.</u>	<u>Name, Occupation, DIN, Current Term and Nationality</u>	<u>Age (in years)</u>	<u>Designation</u>	<u>Details of other principal activities</u>
1.	Mr. Deepak S. Parekh <b>Occupation:</b> Professional <b>DIN:</b> 00009078 <b>Term:</b> Liable to retire by rotation Nationality: Indian	76	Non-executive Chairman	<ol style="list-style-type: none"> <li>1. Breach Candy Hospital Trust</li> <li>2. HDFC Asset Management Company Limited (Chairman)</li> <li>3. HDFC Life Insurance Company Limited (Chairman)</li> <li>4. HDFC ERGO General Insurance Company Limited (Chairman)</li> <li>5. Siemens Limited (Chairman)</li> <li>6. Indian Institute For Human Settlements</li> <li>7. National Investment and Infrastructure Fund Limited</li> <li>8. H T Parekh Foundation (Chairman)</li> </ol> <p>Foreign Companies</p> <ol style="list-style-type: none"> <li>1. DP World Limited, Dubai</li> <li>2. Fairfax India Holdings Corporation, Canada</li> <li>3. Economic Zones World FZE, UAE</li> </ol>

<b>Sr. No.</b>	<b>Name, Occupation, DIN, Current Term and Nationality</b>	<b>Age (in years)</b>	<b>Designation</b>	<b>Details of other principal activities</b>
2.	Mr. Keki M. Mistry <b>Occupation:</b> Company Executive <b>DIN:</b> 00008886 <b>Term:</b> 7 May 2021 to 6 May 2024, liable to retire by rotation within such term. Nationality: Indian	66	Vice-Chairman and CEO	<ol style="list-style-type: none"> <li>1. HDFC Asset Management Company Limited</li> <li>2. HDFC ERGO General Insurance Company Limited</li> <li>3. HDFC Life Insurance Company Limited</li> <li>4. Torrent Power Limited</li> <li>5. Tata Consultancy Services Limited</li> <li>6. H T Parekh Foundation</li> </ol> Foreign Companies <ol style="list-style-type: none"> <li>1. Griha Investments, Mauritius</li> <li>2. Griha Pte. Limited, Singapore</li> <li>3. Flipkart Private Limited, Singapore</li> </ol>
3.	Ms. Renu Sud Karnad <b>Occupation:</b> Company Executive <b>DIN:</b> 00008064 <b>Term:</b> 1 January 2020 to 2 September 2022, liable to retire by rotation within such term, Nationality: Indian	68	Managing Director	<ol style="list-style-type: none"> <li>1. GlaxoSmithKline Pharmaceuticals Limited (Chairperson)</li> <li>2. HDFC Asset Management Company Limited</li> <li>3. HDFC ERGO General Insurance Company Limited</li> <li>4. HDFC Life Insurance Company Limited</li> <li>5. ABB India Limited</li> <li>6. Bangalore International Airport Limited</li> <li>7. Unitech Limited</li> <li>8. HDFC Bank Limited</li> <li>9. H T Parekh Foundation</li> </ol> Foreign Companies <ol style="list-style-type: none"> <li>1. HIREF International LLC.</li> <li>2. HIREF International Fund II Pte. Limited</li> <li>3. HIF International Fund Pte. Limited</li> </ol>
4.	Mr. V. Srinivasa Rangan <b>Occupation:</b> Company Executive <b>DIN:</b> 00030248 <b>Term:</b> 1 January 2020 to 31 December 2025, liable to retire by rotation within such term Nationality: Indian	61	Executive Director and CFO	<ol style="list-style-type: none"> <li>1. HDFC Investments Limited</li> <li>2. HDFC Property Ventures Limited</li> <li>3. HDFC Trustee Company Limited</li> <li>4. HDFC Credila Financial Services Limited</li> <li>5. Atul Limited</li> <li>6. TVS Credit Services Limited</li> <li>7. HDFC Education and Development Services Private Limited</li> <li>8. Computer Age Management Services Limited</li> <li>9. H T Parekh Foundation</li> </ol>

<u>Sr. No.</u>	<u>Name, Occupation, DIN, Current Term and Nationality</u>	<u>Age (in years)</u>	<u>Designation</u>	<u>Details of other principal activities</u>
5.	Mr. Upendra Kumar Sinha <b>Occupation:</b> Professional Director <b>DIN:</b> 00010336 <b>Term:</b> 30 April 2018 to 29 April 2023; not liable to retire by rotation Nationality: Indian	69	Independent Director	<ol style="list-style-type: none"> <li>1. Vedanta Limited</li> <li>2. Havells India Limited</li> <li>3. Aavishkaar Venture Management Services Private Limited</li> <li>4. Aavishkaar Foundation</li> </ol>
6.	Mr. Jalaj Dani <b>Occupation:</b> Professional Director <b>DIN:</b> 00019080 <b>Term:</b> 30 April 2018 to 29 April 2023; not liable to retire by rotation Nationality: Indian	51	Independent Director	<ol style="list-style-type: none"> <li>1. Havells India Limited</li> <li>2. RISE Worldwide Limited (Formerly known as IMG Reliance Limited)</li> <li>3. Gujarat Organics Limited</li> <li>4. Hitech Specialties Solutions Limited</li> <li>5. Haish Holding and Trading Company Private Limited</li> <li>6. S. C. Dani Research Foundation Private Limited</li> <li>7. Addverb Technologies Private Limited (Chairman)</li> <li>8. Paints and Coating Skill Council</li> <li>9. Piramal Foundation for Education Leadership</li> <li>10. Piramal Foundation</li> <li>11. Reliance Foundation</li> <li>12. Pratham Education Foundation</li> <li>13. Sportscom Industry Confederation</li> <li>14. Reliance Foundation Institution of Education and Research</li> </ol>
7.	Dr. Bhaskar Ghosh <b>Occupation:</b> Company Executive <b>DIN:</b> 06656458 <b>Term:</b> 27 September 2018 to 26 September 2023; not liable to retire by rotation Nationality: Indian	61	Independent Director	<p>Foreign Companies</p> <p>Accenture Global Solution, Dublin, Ireland</p>
8.	Ms. Ireena Vittal <b>Occupation:</b> Professional Director <b>DIN:</b> 05195656 <b>Term:</b> 30 January 2019 to 29 January 2024; not liable to retire by rotation Nationality: Indian	52	Independent Director	<ol style="list-style-type: none"> <li>1. Godrej Consumer Products Limited</li> <li>2. Wipro Limited</li> <li>3. Foundation to Educate Girls Globally</li> <li>4. Jal Seva Charitable Foundation</li> <li>5. Vidhi Centre for Legal Policy</li> </ol> <p>Foreign Companies</p> <ol style="list-style-type: none"> <li>1. Compass Plc</li> <li>2. PATH</li> <li>3. Diageo PLC, London</li> </ol>

**Mr. Deepak S. Parekh** is the Non-executive Non-Independent Chairman of the Issuer and its key subsidiaries. He is a Fellow of The Institute of Chartered Accountants in England and Wales. He joined the Issuer in 1978 and was inducted as a whole-time director of the Issuer in 1985 and subsequently appointed as the Managing Director of the Issuer (designated as Chairman) in 1993. He retired as the Managing Director, on 31 December 2009. He was appointed as a Non-Executive Director of the Issuer, with effect from 1 January 2010. Mr. Parekh has been honored with several awards and accolades viz. Padma Bhushan, one of the highest civilian awards by Government of India in 2006; ‘*Bundesverdienstkreuz*,’ Germany’s Cross of the Order of Merit, one of the highest distinction by the Federal Republic of Germany in 2014; ‘Knight in the Order of the Legion of Honour,’ one of the highest distinctions by the French Republic in 2010; first of a network of international ambassadors for championing London across the globe by the Mayor of London in 2017 and first international recipient of the Outstanding Achievement Award by Institute of Chartered Accountants in England and Wales, in 2010 and Lifetime Achievement Award at CNBC TV18’s 15<sup>th</sup> India Business Leader Awards, 2020.

**Mr. Keki M. Mistry** is the Vice Chairman and Chief Executive Officer of the Issuer. He is a Fellow of The Institute of Chartered Accountants of India. He joined the Issuer in 1981 and was appointed as an Executive Director in 1993, as the Deputy Managing Director in 1999 and as the Managing Director in 2000. He was re-designated as the Vice Chairman and Managing Director of the Issuer in October 2007 and as the Vice Chairman and Chief Executive Officer with effect from 1 January 2010. He was also a member of the Committee of Corporate Governance set up by the Securities and Exchange Board of India (SEBI). He is currently the Chairman of the CII National Council on Corporate Governance and a member of Primary Markets Advisory Committee set up by SEBI.

**Ms. Renu Sud Karnad** is the Managing Director of the Issuer. She holds a Bachelor’s degree in Law from the University of Mumbai and a Master’s degree in Economics from the University of Delhi. She is a Parvin Fellow — Woodrow Wilson School of Public and International Affairs, Princeton University, U.S.A. She joined the Issuer in 1978 and was appointed as the Executive Director of the Issuer in 2000 and was re-designated as the Joint Managing Director of the Issuer in October 2007. She was appointed as the Managing Director of the Issuer with effect from 1 January 2010. Ms. Karnad is currently the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.

**Mr. V. Srinivasa Rangan** is the Executive Director and Chief Financial Officer of the Issuer. He holds a Bachelor’s degree in Commerce from the University of Delhi and is an Associate of The Institute of Chartered Accountants of India. He joined the Issuer in 1986, has served in the Delhi Region and was the Senior General Manager - Corporate Planning and Finance since 2001. He was appointed as the Executive Director of the Issuer with effect from 1 January 2010. He is responsible for mobilisation of funds for the Issuer, investments and asset liability management.

**Mr. Upendra Kumar Sinha** has been appointed as an Independent Director of the Issuer with effect from 30 April 2018. He was an officer of the Indian Administrative Service. He holds a Master’s degree in Science and Bachelor’s degree in Law from the Patna University. Mr. Sinha served as the Chairman of SEBI for a period of over six years between 2011 and 2017. During his stewardship, SEBI is credited with having brought in significant regulatory amendments in areas such as the Takeover Code, Foreign Portfolio Investors, Alternative Investment Funds, REITs, InvITs and corporate governance. Prior to this, he was the Chairman and Managing Director at UTI Asset Management Company Private Limited from 2005 until February 2011. Preceding this, he was the Joint Secretary in Department of Economic Affairs at Ministry of Finance and looked after Banking Division and Capital Markets Division – including external commercial borrowings, pension reforms and foreign exchange management functions. For his contribution as Chairman of SEBI, he was conferred with many awards, such as, CNBC-TV18 India Business Leader Awards (IBLA) – Outstanding Contribution to Indian Business Award 2014 and Economic Times - Business Reformer of the Year Award 2014.

**Mr. Jalaj Dani** has been appointed as an Independent Director of the Issuer with effect from 30 April 2018. He has pursued Chemical Engineering at University of Wisconsin-Madison, USA. He also attended the Advanced Management Program at INSEAD, Fontainebleau, Paris. Mr. Dani is co-promoter of Asian Paints Limited and

has spent over the last two decades in various capacities with Asian Paints Limited. He is actively involved in Confederation of Indian Industry (CII), Young President's Organisation (YPO), Federation of Indian Chambers of Commerce and Industry (FICCI) and other Business Councils in various capacities. He also serves on Next Generation of Leaders Board (NGLB) in Indian School of Business, Hyderabad. He was identified as 'Stars 2000' – Potential Leaders in the New Millennium by Business India Magazine in the year 1998.

**Dr. Bhaskar Ghosh** has been appointed as an Independent Director of the Issuer with effect from 27 September 2018. He holds a Bachelor of Science degree and a Master's degree in business administration from Calcutta University. He is also a Doctor of Philosophy in Business Administration from Utkal University. Dr. Ghosh is the Chief Strategy Officer of Accenture and is responsible for Accenture's strategy and investments, including ventures and acquisitions and Accenture Research. He also oversees the development of all assets and offerings across Accenture's services. In addition to this, he is also responsible for Industry X digital manufacturing and intelligent products and platforms and driving responsible business and sustainability services. He is also a member of Accenture's Global Management Committee. Prior to the current role, he was the advisor to the Chief Executive Officer on important topics, including growth and investment strategy, business performance, organisational effectiveness and restructuring. Dr. Ghosh has been awarded six patents in the area of software engineering and platform development.

**Ms. Ireena Vittal** has been appointed as an Independent Director of the Issuer with effect from 30 January 2019. She holds a Bachelor's degree in Science (Electronics) from Osmania University and a Post Graduate Diploma in Business Management from the Indian Institute of Management, Calcutta. Ms. Vittal is among India's most respected consultant and advisor. She was a partner with McKinsey & Co. for 16 years where she served global companies on issues of growth and sustainable scale up. She has also served government and public institutions to design and implement solutions core to India's development, such as inclusive urban development and sustainable rural growth. She has co-authored several studies relating to agriculture and urbanisation. She is a recognised thought partner to consumer facing companies looking to build large-scale, profitable businesses in emerging markets.

Mr. Nasser Munjee and Dr. Jamshed J. Irani completed their term as Independent Directors of the Issuer on 20 July 2021 and as a result they ceased to be the Directors of the Issuer from said date.

On 7 May 2021, the Board of Directors of the Issuer approved the re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as Vice Chairman and Chief Executive Officer) of the Issuer for a period of 3 years with effect from 7 May 2021. The said appointment was approved by the Members of the Issuer at its Annual General Meeting held on 20 July 2021.

#### ***Relationship with other Directors***

None of the Directors of the Issuer are related to each other.

#### ***Borrowing powers of the Issuer's Board***

The Board is authorised to borrow money upon such terms and conditions and with or without security as the Board may think fit, which may exceed the aggregate of the Issuer's paid up capital and free reserves, provided that the aggregate amount of its borrowings shall not exceed Rs. 6,000,000 million at any time.

#### ***Interest of the Directors***

All the Directors may be deemed to be interested to the extent of fees payable to them for attending Board or committee meetings, commission as well as to the extent of reimbursement of expenses payable to them. The whole-time/Executive Directors may also be deemed to be interested to the extent of remuneration paid to them for their services rendered.

The Directors may also be regarded as interested in equity shares or stock options held by them, if any, and also to the extent of any dividend payable to them and other distributions in respect of such equity shares held by them. The Directors may also be regarded to be interested in the deposits placed by them or their respective relatives or the companies, firms and trusts, if any, in which they are interested as directors, members, partners, trustees with the Issuer, loans availed from the Issuer, and equity shares held by, or subscribed by, and allotted to, their respective relatives or the companies, firms and trusts, in which they are interested as directors, members, partners or trustees.

Except for the agreements entered into with the whole-time/executive Directors of the Issuer in relation to their terms of appointment, the Issuer has not entered into any contract, agreement or arrangement other than in the ordinary course of business in which any of the Directors are interested, directly or indirectly, during the two years preceding the date of this Offering Circular and no payments have been made to them in respect of any such contracts, agreements or arrangements.

### ***Shareholding of Directors***

The following table sets forth the shareholding of the Directors in the Issuer as of 30 June 2021:

<u>Name</u>	<u>Number of Equity Shares</u>	<u>Percentage of Total Number of Outstanding Equity Shares</u>
Mr. Deepak S. Parekh .....	1,200,000.00	0.07
Mr. Keki M. Mistry .....	8,05,000.00	0.04
Ms. Renu Sud Karnad .....	2,866,018.00	0.16
Mr. V. Srinivasa Rangan .....	675,975.00	0.04
Mr. Nasser M. Munjee* .....	0.00	0.00
Dr. Jamshed J. Irani* .....	65,000.00	0.00
Mr. Upendra Kumar Sinha .....	0.00	0.00
Mr. Jalaj Dani .....	0.00	0.00
Dr. Bhaskar Ghosh .....	20,000.00	0.00
Ms. Ireena Vittal .....	10,000.00	0.00

\* Ceased to be directors of the Issuer with effect from July 20, 2021.

### **Key Managerial Personnel**

The following table sets forth details regarding the Issuer's key managerial personnel in terms of the Companies Act, other than the Issuer's whole-time/executive Directors including the Issuer's Managing Director, Mr. Keki M. Mistry, Vice Chairman and Chief Executive Officer, Ms. Renu Sud Karnad, Managing Director and Mr. V. Srinivasa Rangan, Executive Director and Chief Financial Officer, as of the date of this Offering Circular:

#### ***Biographies of the key managerial personnel***

<u>Name</u>	<u>Age</u>	<u>Designation</u>
Mr. Ajay Agarwal .....	49	Company Secretary

The details of the key management personnel other than the Issuer's whole-time/executive Directors, as on the date of this Offering Circular, are set out below:

Mr. Ajay Agarwal, aged 49 years, is the Company Secretary of the Issuer. He is a Fellow Member of The Institute of Company Secretaries of India. He has 23 years of experience in corporate and securities laws. He has been associated with the Issuer since September 2000. He has been appointed as the Company Secretary and the key managerial person of the Issuer under Section 203 of the Companies Act, 2013 with effect from 20 March 2015. He is responsible for ensuring compliances with the applicable corporate and securities laws, secretarial standards etc. He is also the Compliance Officer of the Issuer under the SEBI (Listing Obligations and Disclosure



Requirements) Regulations, 2015, SEBI (Prohibition of Insider Trading) Regulations, 2015 and SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

All the key management personnel are permanent employees of the Issuer.

***Shareholding of key managerial personnel***

The following table sets forth the shareholding of the Issuer’s key managerial personnel other than the Issuer’s whole-time/executive Directors as of 30 June 2021:

<u>Name</u>	<u>Number of Equity Shares</u>	<u>Percentage of Total Number of Outstanding Equity Shares</u>
Mr. Ajay Agarwal .....	51,686	0.00

***Interest of key managerial personnel***

The key managerial personnel of the Issuer do not have any interest in the Issuer other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them and to the extent of the equity shares held by them or their dependents in the Issuer, if any or any stock options held by them.

**Senior Management Personnel**

The following is a list of the senior management personnel of the Issuer as of the date of this Offering Circular together with a brief description of their respective biographies:

**Mr. Conrad D’Souza** is a Member of Executive Management and Chief Investor Relations Officer of the Issuer and his responsibilities include investor relations, corporate planning and budgeting and corporate finance. He holds a Master’s degree in Commerce from University of Mumbai, a Master’s degree in Business Administration from South Gujarat University and is a Senior Executive Program (SEP) graduate of the London Business School. He has been associated with the Issuer since 1984. He was earlier the Treasurer of the Issuer and his responsibilities included resource mobilisation, both domestic and international and asset liability management. Mr. D’Souza has also worked earlier in the operations and management services at the Issuer and was also the Regional Manager for the State of Maharashtra. He also coordinated the HDFC Bank project. He is a part of the core faculty at the Frankfurt School of Finance and Management, Germany, Housing Finance Summer Academy. He has been a consultant to multilateral agencies and has undertaken assignments in Asia, Africa and Eastern Europe. He has also been a speaker at various international seminars on housing finance. He is a member of the Asset Liability Management Committee, Allotment Committee – Equity Shares and Risk Management Committee of the Issuer.

**Mr. Suresh Menon** is a Member of Executive Management of the Issuer and is responsible for Policy Implementation and Process Monitoring and Internal Audit. He holds a Bachelor’s degree in Commerce from Maharaja Sayajirao University of Baroda and a Master’s degree in Business Administration from South Gujarat University. He has been associated with the Issuer since 1984. He is primarily responsible for ensuring that the lending policies and procedures are diligently followed. He is also responsible to ensure that audits are conducted across various functions of the Company so as to ascertain the adequacy of internal control systems. He has previously held the positions of the Head of the Recoveries department, Area Manager in Baroda and Regional Manager for Mumbai. He was also responsible for laying down the Retail Lending policies for the Issuer and coordinating with the marketing, information technology, legal and communications department for development and implementation of new lending products. He was also deputed as the CEO of HDFC General Insurance Company in 2007-2008. He is a part of the core faculty at the Frankfurt School of Finance and Management, Germany, Housing Finance Summer Academy since 2008. From 2006 to 2016, he has also coordinated the

consultancy and training assignments with Sarana Multigriya Financial, Indonesia which is mortgage refinance company set up by the Central Bank of Indonesia, providing training and technical assistance to over 1,000 mortgage bankers. He is a member of the Risk Management Committee of the Issuer.

**Ms. Madhumita Ganguli** is a Member of Executive Management of the Issuer and All India Retail Operations Head, primarily responsible for meeting Retail Lending Budgets, Monitoring Productivity, Reviewing & Analyzing Product Performance and giving feedback to the Management on the same. Additionally, she is also the Regional Business Head – Karnataka, Chandigarh & Ludhiana. She holds a Bachelor's degree in Law from University of Delhi. She has been associated with the Issuer since 1981 and was responsible for steering the Business Process Reengineering programme in the Issuer for retail lending, which has helped the Issuer accentuate its competitive edge by introducing technology in the underwriting process. She was a key member of the team that provided consultancy for setting up the operations of Mauritius Housing Finance Company. She is a member of the National Housing Bank Working Committee on Standardizing of Loan Documentation for Retail Housing Loans and a committee set up by FICCI to formulate recommendations for the Government of India for the real estate sector. She has also been a speaker at various international and national seminars on housing finance. She is a member of the Allotment Committee – Equity Shares and Risk Management Committee and Chairperson of the Internal Complaints Committee for the prevention and redressal of Sexual Harassment of Women at Workplace and Whistle Blower Complaints Committee of the Issuer.

**Mr. Mathew Joseph** is a Member of Executive Management of the Issuer and the Chief Risk Officer of the Issuer. He is a member of The Institute of Chartered Accountants of India. He has been associated with the Issuer since 1988. Prior to being appointed as Chief Risk Officer of the Issuer he was responsible for the operations and business of the Issuer in the States of Tamil Nadu, Andhra Pradesh and Telangana. He was earlier heading the Retention vertical. He is also a member of a group formulating policies and processes for individual loans. He has been involved in consultancy assignments undertaken by the Issuer in Africa and Asia to support and establish their housing finance institutions.

**Mr. R. Arivazhagan** is a Member of Executive Management of the Issuer and Chief Information Technology Officer of the Issuer and is heading the Information Technology Department of the Issuer. He holds a post graduate diploma in Management from the Indian Institute of Management, Calcutta. He has been associated with the Issuer since 1986. His responsibilities include ensuring High Availability of Applications and Network to enable Business teams to run operations seamlessly and build IT Disaster Recovery (**DR**) capabilities in line with organizations Business Continuity Plan and ensure regular testing of DR setup. He is also responsible for setting up Cyber Security Governance and Framework and establishes proactive monitoring and detection of Cyber Incidents and Response plans. He is a member of the IT Strategy Committee of the Issuer.

**Mr. Rajeev Sardana** is a Member of Executive Management of the Issuer and is the National Head - Self Employed Business and Loan against Property and also the Regional Business Head for the states of Telengana and Tamil Nadu. He is a member of The Institute of Chartered Accountants of India. He has been associated with the Issuer since 1987 and is also involved in the development of products and policies for retail mortgage loans. He has been involved in consultancy assignments undertaken by the Issuer in various countries across Asia to support and establish their housing finance institutions. He is a member of the Fraud Monitoring Committee, Whistle Blower Complaints Committee and Allotment Committee – Equity Shares of the Issuer.

### **Corporate Governance**

The Board presently consists of eight Directors, out of which four are independent Directors. The Issuer is in compliance with the applicable provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the HFC Directions 2021 and the corporate governance directions issued by National Housing Bank/ Reserve Bank of India.

### ***Committees of the Board of Directors***

The Board has constituted committees, which function in accordance with the relevant provisions of the Companies Act, 2013, guidelines, directions from NHB, RBI, SEBI (ESOP) Regulations and the SEBI Listing Regulations. The Committees constituted in accordance with the provisions of the Companies Act, 2013 and the SEBI Listing Regulations and NHB/RBI Guidelines are: (i) Audit and Governance Committee; (ii) Nomination and Remuneration Committee; (iii) Stakeholders' Relationship Committee; (iv) Risk Management Committee; (v) Corporate Social Responsibility Committee; (vi) Allotment Committee - Equity Shares; and (vii) IT Strategy Committee.

The following table sets forth the members of the aforesaid committees as of the date of this Offering Circular:

<b>Committee</b>	<b>Members</b>
Audit and Governance Committee .....	Mr. Jalaj Dani (Chairman), Dr. Bhaskar Ghosh and Ms. Ireena Vittal
Nomination and Remuneration Committee .....	Mr. Upendra Kumar Sinha (Chairman), Ms. Ireena Vittal and Mr. Deepak S. Parekh
Stakeholders Relationship Committee* .....	Mr. Jalaj Dani and Mr. V. Srinivasa Rangan
Risk Management Committee .....	Dr. Bhaskar Ghosh, Mr. Keki M. Mistry, Ms. Renu Sud Karnad, Mr. V. Srinivasa Rangan, Mr. Conrad D'Souza, Ms. Madhumita Ganguli and Mr. Suresh Menon
Corporate Social Responsibility Committee .....	Mr. Deepak S. Parekh (Chairman), Mr Jalaj Dani, Mr. Keki M. Mistry, Ms. Renu Sud Karnad and Mr. V. Srinivasa Rangan
Allotment Committee — Equity Shares .....	Mr. Keki M. Mistry, Ms. Renu Sud Karnad, Mr. V. Srinivasa Rangan, Mr. Conrad D'Souza, Ms. Madhumita Ganguli, Mr. Rajeev Sardana, Mr. Rajan Tandon, Mr. K. Bharadwaj, Mr. D. V. Rao and Mr. Ajay Agarwal
IT Strategy Committee .....	Dr. Bhaskar Ghosh (Chairman), Mr. Jalaj Dani, Ms. Renu Sud Karnad, Mr. R. Arivazhagan, Mr. Dilip Shetty, Mr. R. Sankaranarayan, Mr. Dipta Bhanu Gupta, Mr. Milind Marathe, Mr. Guruprasad Mandrawadkar, Mr. Saket Saxena and Mr. Sushil Bhagwat

\* To be reconstituted at a Board meeting, as at the date of this Offering Circular, scheduled to be held on 2 August 2021.

### **Other Confirmations**

None of the Directors or key managerial personnel of the Issuer have any financial or other material interest in the Notes.

None of the Issuer's Directors have been named in the RBI defaulter list and/or the Export Credit Guarantee Corporation of India default list.

### **Related Party Transactions**

For details in relation to the related party transactions entered by the Issuer during the last three Fiscals, as per the requirements under Indian Accounting Standard 24, see financial statements of the Issuer.

### **Policy on Disclosures and Internal Procedure for Prevention of Insider Trading**

The Insider Trading Regulations, 2015 applies to the Issuer's employees and to the Issuer which requires the Issuer to implement a code of internal procedures and conduct for the prevention of insider trading. The Issuer is in compliance with the same and has implemented a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information for all employees, officers, directors and persons authorised to speak on behalf of the Issuer. Mr. Conrad D'Souza, a Member of Executive Management of the Issuer, acts as the Chief Investor Relations Officer of the Issuer under the aforesaid Code. In terms of the Companies Act, 2013, the Issuer's Directors and key managerial personnel are prohibited from: (a) acquiring an option over, or entering into, forward dealings in securities of the Issuer, its subsidiaries or associate companies; and (b) engaging in insider trading.

The Issuer has also implemented a Securities Dealing Code which prescribes the detailed procedures and guidelines to be adopted while dealing in the equity shares, warrants and non-convertible debentures of the Issuer. The Securities Dealing Code is applicable to all Directors and employees of the Issuer, key employees of material subsidiaries of the Issuer, their immediate relatives and other connected persons. Mr. Ajay Agarwal, the Company Secretary is the Compliance Officer under the said code.

## PRINCIPAL SHAREHOLDERS

The Issuer does not have an identifiable promoter or any principal shareholder. The following table sets forth the shareholding pattern of the Issuer as on 30 June 2021:

Category of Shareholders	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialised Form	Total Shareholding as a per cent. of Total No. of Shares		Shares pledged or otherwise encumbered	
				As a per cent. of (A+B)	As a per cent. of (A+B+C)	Number of shares	As a per cent. of Total No. of Shares
<b>(A) Shareholding of Promoter and Promoter Group</b>							
(1) Indian	0	0	0	0.00	0.00	0	0.00
<b>Sub-Total (A)(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>(2) Foreign Sub-Total (A)(2)</b>							
(A)(2)	0	0	0	0.00	0.00	0	0.00
<b>Total Shareholding of Promoter and Promoter Group</b>							
(A)=(A)(1)+(A)(2)	0	0	0	0.00	0.00	0	0.00
<b>(B) Public Shareholding</b>							
<b>(1) Institutions</b>							
Mutual Funds/UTL	38	160,399,767	160,399,767	8.88	8.88	0	0.00
Venture Capital Funds	0	0	0	0.00	0.00	0	0.00
Alternate Investment Funds	32	5,095,501	5,095,501	0.28	0.28	0	0.00
Foreign Venture Capital Investors	0	0	0	0.00	0.00	0	0.00
Foreign Portfolio Investors	1,865	1,304,047,932	1,304,047,932	72.22	72.22	0	0.00
Financial Institutions/Banks	21	1,476,928	1,476,928	0.08	0.08	0	0.00
Insurance Companies	38	130,442,895	130,442,895	7.22	7.22	0	0.00
Provident Funds/Pension Funds	0	0	0	0.00	0.00	0	0.00
<b>Others</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>Sub-Total (B)(1)</b>	<b>1,994</b>	<b>1,601,463,023</b>	<b>1,601,463,023</b>	<b>88.68</b>	<b>88.68</b>	<b>0</b>	<b>0.00</b>
<b>(2) Central Government/State Government(s)/ President of India</b>							
Central Government/State Government(s)/President of India	6	2,490,832	2,490,832	0.14	0.14	0	0.00
<b>Sub-Total (B)(2)</b>	<b>6</b>	<b>2,490,832</b>	<b>2,490,832</b>	<b>0.14</b>	<b>0.14</b>	<b>0</b>	<b>0.00</b>
<b>(3) Non-Institutions</b>							
Individual shareholders holding nominal share capital up to Rs. 0.2 million	629,982	128,812,996	128,812,996	7.13	7.13	0	0.00
Individual shareholders holding nominal share capital in excess of Rs. 0.2 million	89	22,254,515	22,254,515	1.23	1.23	0	0.00
NBFCs registered with RBI	0	0	0	0.00	0.00	0	0.00
Employee Trusts	0	0	0	0.00	0.00	0	0.00
Overseas Depositories (holding DRs)							
(balancing figure)	0	0	0	0.00	0.00	0	0.00
<b>Any Others (Specify)</b>							
Trusts	61	292,073	292,073	0.02	0.02	0	0.00

Directors & their Relatives .....	13	7,901,264	7,901,264	0.44	0.44	0	0.00
Foreign Nationals .....	4	1,319	1,319	0.00	0.00	0	0.00
Non Resident Indians.....	13,147	5,337,323	5,337,323	0.30	0.30	0	0.00
Clearing Members. ....	186	1,014,280	1,014,280	0.06	0.06	0	0.00
Hindu Undivided Families .....	14,483	1,814,797	1,814,797	0.10	0.10	0	0.00
.....						0	0.00
Bodies Corporate .....	2,848	19,460,724	19,460,724	1.08	1.08	0	0.00
IEPF.....	1	1,511,806	1,511,806	0.08	0.08	0	0.00
Pension Funds	3	12,904,628	12,904,628	0.71	0.71	0	0.00
Foreign Corporate Bodies	1	493,669	493,669	0.03	0.03	0	0.00
<b>Sub-Total (B)(3).....</b>	<b>660,818</b>	<b>201,799,394</b>	<b>201,799,394</b>	<b>11.18</b>	<b>11.18</b>	<b>0</b>	<b>0</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)+(B)(3).....</b>	<b>662,818</b>	<b>1805,753,249</b>	<b>1805,753,249</b>	<b>100.00</b>	<b>100.00</b>	<b>0</b>	<b>0</b>
<b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b>							
(1) Promoter and Promoter Group.....	0	0	0	0.00	0.00	0	0.00
(2) Public.....	0	0	0	0.00	0.00	0	0.00
<b>Sub-Total (C) .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>GRAND TOTAL (A)+(B)+(C) .....</b>	<b>662,818</b>	<b>1805,753,249</b>	<b>1805,753,249</b>	<b>100.00</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>

The Issuer does not have an identifiable promoter or any principal shareholder. The following table sets forth the shareholding of persons belonging to the category “public” and holding more than 1.00 per cent. of the total number of equity shares of the Issuer as on 30 June 2021:

<u>Sr. No.</u>	<u>Name of the Shareholder</u>	<u>No. of Equity Shares</u>	<u>Total Shareholding as a per cent. of total No. of Equity Shares</u>
1.	Life Insurance Corporation of India .....	71,878,298	3.98 per cent.
2.	Invesco Oppenheimer Developing Markets Fund .....	70,297,956	3.90 per cent.
3.	Government Of Singapore .....	47,037,326	2.61 per cent.
4.	SBI-ETF Nifty 50.....	46,667,869	2.59 per cent.
5.	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Fund.....	24,118,510	1.34 per cent.
6.	Vanguard Total International Stock Index Fund .....	21,732,990	1.20 per cent.
7.	UTI – NIFTY Exchange Traded Fund .....	20,323,506	1.13 per cent.
8.	ICICI Prudential Life Insurance Company Limited.....	19,748,710	1.09 per cent.
9.	Government Pension Fund Global.....	19,352,441	1.07 per cent.
10.	Kuwait Investment Authority Fund 601.....	18,896,963	1.05 per cent.
11.	JP Morgan Funds – Emerging Markets .....	18,770,268	1.04 per cent.
12.	Axis Mutual Fund Trustee Limited A/C Axis Mutual Fund A/C Axis Long Term Equity Fund.....	18,406,383	1.02 per cent.
	<b>Total.....</b>	<b>397,231,220</b>	<b>22.02 per cent.</b>

## OVERVIEW OF HOUSING FINANCE INDUSTRY

*The information in this section has been extracted from publicly available documents, it has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from the information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### Overview

#### *Impact of Covid-19*

Elevated trade tensions, a corroding multilateral trade system and rising geopolitical tension, weighed on global growth even before the global impact of Covid-19. The pandemic and the resultant curtailment measures have caused social, economic and financial disruptions, worsening an already weak global economy. The world economy contracted by 3.5 per cent. in 2020 (Source: *imf.org*). As per the IMF's estimates in early April 2021, the world economy is likely to grow by 6 per cent. The World Bank is also projecting global growth to recover to 5.6 per cent. in 2021 based on the continued fiscal stimulus measures, accommodative monetary policies and a wider coverage of the vaccinated population. The stronger than anticipated recovery is also attributed to resilience and quick adaptation to life during the pandemic.

The global outlook remains subject to significant downside risks, which include the possibility of large Covid-19 waves in the context of new virus variants and financial stress amid high debt levels.

*Special Economic Package of over Rps. 20 trillion – 'AtmaNirbhar Bharat Abhiyan' ("Self Reliant India Campaign")*

On 12 May 2020, India's Prime Minister announced a special economic package of Rps. 20.97 trillion, equivalent to 10 per cent. of India's GDP, serving as an important link in the 'Self Reliant India Campaign'. As per his address to the nation, the campaign will stand on five pillars of (i) Economy, (ii) Infrastructure, (iii) System, (iv) Vibrant Demography and (v) Demand. This package included economic announcements which are decisions of RBI, Pradhan Mantri Garib Kalyan Package (PMGKP), various economic packages announced by the Ministry of Finance, among others. As part of the 'Self Reliant India Campaign', the Ministry of Finance made several announcements catering to various sections, including (i) collateral free automatic loans for businesses including MSMEs, (ii) special liquidity facility for NBFCs, HFCs, MFIs (iii) Partial credit guarantee scheme 2.0 for NBFCs, (iv) liquidity injection for power distribution companies, (v) Government Reforms and Enablers, (vi) extension of credit linked subsidy scheme for middle income group, (vii) concessional credit through Kisan Credit Cards, (viii) additional emergency working capital for farmers through NABARD, (ix) Agri.-Infrastructure Fund for farm-gate infrastructure for farmers. Subsequently, the Finance Minister announced AatmaNirbhar Bharat Package 2.0 on 12 October 2020 and AatmaNirbhar Bharat Package 3.0 on 12 November 2020. Under AatmaNirbhar Bharat 3.0, the Finance Minister announced 12 key measures as part of the Government of India's stimulus to the economy. The net stimulus announced amounted to Rs. 265 billion making the total stimulus provided by RBI and the Government Rs. 2,987 billion. Key measures announced under AatmaNirbhar Bharat 3.0. include (i) AatmaNirbhar Bharat Rozgar Yojana to incentivise job creation during the Covid-19 recovery, (ii) an Emergency Credit Line Guarantee Scheme for MSMEs, businesses, MUDRA borrowers and individuals, (iii) Production Linked Incentive worth Rs. 146 billion to 10 champion sectors and (iv) Rs. 180 billion additional outlay for PM Awaas Yojana – Urban.

*(Source: Press Information Bureau of Government of India.)*

#### *Outlook*

The second wave of Covid-19 is associated with unexpected higher rates of morbidity and mortality compared to the first wave. The outbreak of mutant strains that render the Covid-19 virus highly transmissible across both

urban and rural areas has led to new restrictions on activity being imposed across India. Yet, unlike the first wave where the economy came to an abrupt standstill under a nation-wide lockdown, the impact on economic activity is expected to be relatively contained in the second wave, as restrictions on mobility are regionalised and nuanced. Moreover, it appears people and businesses are adapting to pandemic working conditions. Maintaining financial stability and congenial financing conditions for all stakeholders is a commitment that the Issuer has adhered to assiduously. The sudden rise in Covid-19 infections and fatalities has impaired the nascent recovery that was underway, but has not snuffed it out. Aggregate supply conditions have shown resilience in the face of the second wave. (Source: RBI, Governor Statement, 4 June 2021).

In its bi-monthly Monetary Policy Statement on 4 June 2021, on the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Consequently, it was decided that the reverse repo rate under the LAF should remain unchanged at 3.35 per cent. and the marginal standing facility (MSF) rate and the bank rate at 4.25 per cent.. The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target going forward. (Source: RBI, Monetary Policy Statement, 4 June 2021).

### **Overview of the Indian Economy**

Weak domestic demand, subdued manufacturing growth, slowdown in investments and prolonged credit crunch contained growth on the domestic front. The Indian economy also suffered with the impact of Covid-19. A nation-wide lockdown, to combat the spread of the virus, was announced in the last week of March 2020.

In response to the pandemic, the Indian government announced various stimulus measures. The package includes sector specific measures for businesses impacted by the lockdown, loan moratorium, guarantee schemes and tax concessions. India's fiscal deficit widened to 9.3 per cent. of the GDP in Fiscal 2021, which was marginally lower than the revised estimate of 9.5 per cent. In order to support growth in these unprecedented times, the Monetary Policy Committee of the RBI has kept the policy repo rate under the LAF unchanged at 4.0 per cent..

A number of new measures have been implemented in 2021 to support an uneven recovery. The 2021-22 budget marked a significant policy shift as health-related spending was more than doubled. The RBI also announced further measures to support liquidity provisions to micro, small and medium firms and loosened regulatory requirements on the provisioning for non-performing loans.

India's growth potential remains strong. This is mainly on account of macroeconomic stability, favourable demographics and the recent structural reforms taken up by the government.

### ***Positive Indicators***

- India is the 5<sup>th</sup> largest reserve holding country, the 12<sup>th</sup> largest foreign holder of U.S. treasury securities and has the 10<sup>th</sup> largest gold reserve in the world.
- India's foreign exchange reserves as at 25 June 2021 peaked at U.S.\$ 609 billion, sufficient to cover 15 months of imports
- India continues to receive the highest remittances in the world - estimated at U.S.\$ 83 billion.
- India's current account stood at U.S.\$ 24 billion, or 0.9 per cent. of GDP, in Fiscal 2021. The current account ended in a surplus for the first time in 17 years as the trade deficit narrowed due to contraction in pandemic induced import demand.



- Interest rates are at an all-time low.

### **Structural Reforms**

Over the last few years, several structural reforms have been carried out, which have also had a positive impact on the Indian economy. These include:

- Implementation of Goods and Services Tax to increase tax net by incentivising tax compliance.
- Introduction of Insolvency and Bankruptcy Code to facilitate time bound resolution of distressed entities.
- Introduction of Real Estate (Regulation & Development), Act to set up a regulator for the real estate sector.

In terms of purchasing power parity, India is the 3<sup>rd</sup> largest economy in the world after the United States and China. With increased focus on reforms, India is expected to tread the path of high growth.

The following table summarises the key figures of Indian economy for the past 5 years.

<b>Year Ending 31 March</b>	<b>Units</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Real GDP Growth (YoY) .....	%	7.1%	7.2%	6.1%	4.0%	-7.3%
FX Reserves .....	USD Bn	409	424	412	475	577
Inflation (WPI Average).....	%	1.7%	3.6%	3.1%	1.0%	-
Fiscal Deficit .....	%	3.5%	3.5%	3.4%	4.6%	9.3%
Current Account Deficit .....	%	0.7%	1.8%	2.1%	0.9%	0.9%

Source: World Bank: World Economic Indicators, Bloomberg, RBI Bulletin, Ministry of Finance and Department of Economic Affairs

### **Housing Overview**

Over the past 3 years, the housing loan portfolio of HFCs has grown by 29 per cent. from Rs. 57.9 billion as at 31 March 2018 to Rs. 74.7 billion as at 31 March 2021, and the total loan portfolio has increased from Rs. 81.0 billion to Rs. 10.73 billion during the same period (*Source: NHB Trends and Progress Report 2020*). The housing sector has strong backward and forward linkages in the economy and is subservient to the development of several other industries.

Even in periods of slack industrial growth and low credit off-take, the housing and the housing finance sectors continue to register growth.

### **Housing in India**

India is facing an acute housing shortage. As a result, the demand for affordable residential homes continued to remain strong in Fiscal 2021. During the year, new launches of residential units which received favourable response from homebuyers were largely in the affordable housing segment.

### **Impact of Covid-19 on Housing Sector**

Investment activity in the housing sector has suffered a setback due to Covid-19. The confluence of Covid-19 induced factors, such as inventory overhang in housing, tapering of incomes thereby affecting the EMI-servicing capacity and stress in the balance sheets of NBFCs and HFCs, has adversely impacted the investment in dwellings units. In residential real estate, both sales and new launches have contracted, primarily due to unprecedented disruptions in the economy caused by lockdowns and sluggish consumer sentiment (*Source: NHB Report on Trend and Progress of Housing in India 2020*).

Demand is also likely to be affected in the short term on account of job losses experienced across sectors. The revival in demand is expected once the income stream stabilises.

Further, the continued Covid-19 related slowdown has impacted the demand environment and the cash flow and liquidity position of many borrowers (individuals, small businesses and corporates). The impact is more prominent on self-employed borrowers, the daily wage workforce, and small, non-essential businesses.

### *Government Thrust on Housing*

The Government flagship schemes such as ‘Housing for All’ by the year 2022 under the Pradhan Mantri Awas Yojna (PMAY), have benefitted the sector. These schemes aim at plugging the affordability gap by providing 20 million houses in cities and smaller towns across India by 2022. According to the Ministry of Housing and Urban Affairs, as at 25 June 2021, over 11.3 million homes have been sanctioned under PMAY, of which 5 million houses have been completed and 8.33 million units are grounded. The interest subsidy given to the eligible borrowers under the Credit Linked Subsidy Scheme (CLSS) – a component under the PMAY – has enabled several households to become homeowners. Given the sort of response the scheme received, the government extended the scheme until 31 March 2021. The extension of the subsidy through the CLSS scheme, helped the focus on incremental growth in the affordable housing segment. As at December 2020, the affordable housing segment constitutes 90 per cent. of the housing loans market by volume and 60 per cent. by value (*Source: Credit Scape, A Publication on Credit Landscape Vol VIII – Housing Loans*). The portfolio growth in the affordable housing segment continues to be higher than HFCs.

The Government introduced the Real Estate (Regulation & Development), Act, 2016. The Act came into effect on 1 May 2017. Most states have now put in place a real estate regulator, which acts as a strong confidence booster for homebuyers. The Real Estate (Regulation & Development) Act, 2016 has helped bring in greater discipline and transparency amongst developers in terms of usage of funds for the project as well as adherence to stated timelines for the delivery of homes.

Over the last few years, retail inflation has been within RBI’s comfort levels, which has resulted in an increase in household disposable income. On the other hand, residential prices have remained almost stable over these years. This is resulting in a period where the affordability of the household is strong, and when this is seen in conjunction with the regulatory reforms for the housing sector, it presents a clear case of growth in near term.

### Policy Measures and their Impact on Housing Sector

<b>Policy</b>	<b>Key Highlights</b>	<b>Current Status</b>
Real Estate Regulatory Act (RERA)	Aimed at ensuring accountability, transparency and uniformity in practices prevalent in the real estate sector.	<ul style="list-style-type: none"> <li>31 states/ UTs have notified rules under the RERA and 30 have set up a real estate regulatory authority; 25 States/UTs have an operational RERA websites and 24 have set up a Real Estate Appellate Tribunal.</li> <li>As at 30 May 2020, over 52,000 real estate projects were registered under RERA.</li> </ul>
Affordable Housing	The government relaxed carpet area norms multiple times for affordable housing incentives. GST relaxations were also made.	<ul style="list-style-type: none"> <li>The GST rate cut from 8% to 1% on under-construction properties (subject to no Input Tax Credit).</li> <li>GST is not levied on completed projects.</li> <li>Area relaxations for affordable housing were also undertaken. Affordable housing</li> </ul>

	<p>now includes units up to 60 sqm (in metropolitan cities) which cost up to Rs. 4.5 mn per unit. This is up from the previous area definition of 30 sqm.</p> <ul style="list-style-type: none"> <li>• For non-metropolitan cities / towns, units up to 90 sqm with value up to Rs. 4.5 mn have been included in the affordable housing category. This is up from the previous area definition of 60 sq. m.</li> </ul>	<ul style="list-style-type: none"> <li>• The fund is envisaged to create a Rs 25,000 crore corpus, with the government committing up to Rs 10,000 crore and the balance would be contributions from public sector banks, Life Insurance Corporation of India, amongst others investors.</li> <li>• HDFC was involved and consulted in setting up this fund, and has also committed Rs 250 crore to support the sector and enable individuals to get possession of their homes.</li> <li>• The fund announced its first fund close in December 2019 with an initial corpus of Rs 10,530 crore.</li> </ul>
<p>Special window funding for completion of construction of affordable and middle income housing projects (SWAMIH Investment Fund)</p>	<p>The government announced an Alternative Investment Fund (AIF) of Rs 25,000 crore for funding the stuck affordable/middle income housing projects. RERA registered, networth positive housing projects that are stalled are eligible for receiving funding under this special window.</p> <p>This fund aims to help complete 4.58 lac housing units across 1,509 projects in the top 8 cities in India</p>	
<p>Insolvency and Bankruptcy Code Amendment (IBC), 2018</p>	<p>The inadequacy of RERA to address the concerns of home buyers in case of corporate insolvency has led the central government to amend the law.</p>	<ul style="list-style-type: none"> <li>• Home buyers have been recognised as financial creditors which treats them at par with the financial institutions to receive their share in case of insolvency proceedings.</li> <li>• The amendment is also in sync with RERA, in case of any delay from the developer, the allottee has the right to demand for a refund of the entire amount with interest.</li> </ul>

### Housing Finance System in India

The housing finance market in India is growing fast, but remains concentrated among a few dominant institutions. The market offers mainly plain-vanilla home loans products at predominantly floating rates. The estimated housing credit to GDP ratio in India is still very low at 11 per cent. compared to the other Asian economies. Most of the Asian countries have a mortgage debt to GDP ratio in the range of 20-40 per cent. (Thailand: 20 per cent., China: 18 per cent., Malaysia: 34 per cent. and Japan: 39 per cent. (*Source: European Mortgage Federation, HOFINET and HDFC estimates for India*)). However, it has improved from 7.4 per cent. for India in fiscal 2010, given rising incomes, improving affordability, growing urbanisation and nuclearisation of families, emergence of tier-II and tier-III cities, ease of financing, fiscal benefits, and widening reach of financiers.

The housing finance market in India is serviced by a variety of financial institutions, including housing finance companies (**HFCs**), non-banking financial companies (**NBFCs**), scheduled commercial banks (**SCBs**), scheduled cooperative banks, regional rural banks, and state-level apex cooperative housing finance societies.

India saw the beginning of formal and institutional housing finance with the establishment of the Housing and Urban Development Corporation (**HUDCO**) in 1971. HUDCO primarily catered to the low-income housing segment, and provided technical and financial assistance to the state housing boards, urban development institutions, and the cooperative sector.

In 1977, the Issuer was set up as the first retail housing finance company in India. Until 1987, other than the Issuer there were few institutions that provided meaningful intermediation in the sector or provided housing finance on a commercial basis. Subsequently two insurance companies, viz. Life Insurance Corporation (**LIC**) and General Insurance Corporation (**GIC**) promoted HFCs. In the 1990s, **SCBs** also entered into the business of housing finance.

According to a recent report by ICRA, the housing credit outstanding in India as on 30 March 2020 stood at Rs. 21.2 lakh crore. Overall housing credit growth (comprising both SCBs, HFCs and NBFCs) has grown at a CAGR of 14 per cent. during financial years 2017 to 2020, but ICRA expects the overall housing credit growth to moderate to between 5 and 8 per cent. in Fiscal 2021 due to the Covid-19 induced slowdown. Banks are currently estimated to have a 66 per cent. share in the mortgage finance market while the HFCs and NBFCs have a 34 per cent. share (*Source: RBI, ICRA research*).

The banks offer a variety of products along with housing finance, whereas, the HFCs specialise in housing loan products and are able to better underwrite the loans and follow much focused approach towards recoveries.

### **Regulatory Framework**

Earlier, HFCs were regulated by National Housing Bank (**NHB**). Pursuant to the amendment in the Finance Act, 2019 and the subsequent notification by the RBI in August 2019, HFCs are treated as one of the categories of non-banking financial companies (**NBFCs**) for regulatory purposes and accordingly would come under RBI's direct oversight.

Further, HFCs were also required to comply with the *erstwhile* Master Circular – Housing Finance Companies (NHB) Directions, 2010, as amended, issued by NHB, and other applicable circulars issued by NHB and RBI for the purposes of carrying out the supervision of HFCs until 17 February 2021.

However, the RBI, *vide* the Master Directions – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, as amended, through its circular dated 17 February 2021, set out a condensed regulatory framework applicable to the HFCs which supersedes the earlier issued directions by NHB and the RBI. ICRA has tested a sample of 37 HFCs (which together contribute more than 95 per cent. of HFCs as at 31 March 2020) comprising ICRA-rated and non-ICRA rated HFCs with respect to these regulations. In most cases, the HFCs seem comfortable with these regulations (*Source: ICRA, Indian Mortgage Finance Market, March 2021*).

### **Industry Outlook**

Favourable demographics, the rising rate of urbanisation and the increasing number of nuclear families are some of the key factors facilitating growth. Further, rising disposable income, affordable interest rates and increased fiscal incentives on home loans will continue to drive the growth of mortgage finance in India in the coming years.

As per Census 2011 data, approximately 66 per cent. of the population is below 35 years of age. The rate of urbanisation is expected to grow from 32 per cent. currently to 50 per cent. by 2030. The share of urban population rose from 31 per cent. in 2011 to approximately 34 per cent. in 2019. CRISIL Research expects urbanisation to

accelerate, with the urban population growing at a CAGR of 2.0 to 2.5 per cent. between 2018 and 2022. Further, 27 million households live in rented accommodation as per the Census 2011. Thus, there is abundant room for further penetration in the mortgage finance market in India.

## KEY REGULATION AND POLICIES

*The following description is a summary of relevant regulations and policies as prescribed by the Government of India and other regulatory bodies that are applicable to the Issuer. The information detailed below has been obtained from various legislations, including rules and regulations promulgated by regulatory bodies, and the bylaws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the investors and are neither designed nor intended to substitute professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

*In addition to the regulations and policies specified herein below, taxation law, labour law, intellectual property law, environmental law and other miscellaneous laws apply to the Issuer as they do to any other Indian company.*

### **The National Housing Bank Act, 1987**

The National Housing Bank Act, 1987 (the **NHB Act**) was enacted to establish a NHB to operate as a principal agency to promote HFCs both at the local and regional levels and to provide financial and other support to such institutions for matters connected therewith or incidental thereto. The business of the NHB includes, among others, promoting, establishing, supporting or aiding in the promotion, establishment and for housing activities of HFCs, scheduled banks, state co-operative agricultural and rural development banks or any other institution or class of institutions, as may be notified by the Central Government; making loans and advances or other forms of financial assistance; guaranteeing the financial obligations of HFCs and underwriting the issue of stocks, shares, debentures and other securities of HFCs; formulating one or more schemes for the purpose of mobilisation of resources and extension of credit for housing; providing guidelines to HFCs to ensure their growth on sound lines; providing technical and administrative assistance to HFCs; and exercising all powers and functions in the performance of duties entrusted to the NHB under the NHB Act or under any other law for the time being in force.

Every HFC is required to obtain a certificate of registration and meet the requirement of net owned funds of Rs. 20 million or such other higher amount as the NHB may specify for commencing housing finance as its principal business or carrying on the business of housing finance as its principal business. Further, in terms of Section 29B of the NHB Act, every HFC is required to invest and continue to invest in India in unencumbered approved securities, an amount which, at the close of business on any day, is not less than 5 per cent. (or such higher percentage as the NHB may specify, not exceeding 25 per cent.) of the deposits outstanding at the close of business on the last working day of the second preceding quarter.

Additionally, every HFC is required to maintain in India an account with a scheduled bank in term deposits or certificate of deposits (free of charge or lien) or in deposits with the NHB or by way of subscription to the bonds issued by the NHB, or partly in such account or in such deposit or partly by way of such subscription, a sum which, at the close of business on any day, together with the investment as specified above, shall not be less than 10 per cent. (or such higher percentage not exceeding 25 per cent., as the RBI may, from time to time and by notification specify), of the deposits outstanding in the books of the HFC at the close of business on the last working day of the second preceding quarter. Pursuant to the NHB Act, every HFC is also required to create a reserve fund and transfer therein a sum not less than 20 per cent. of its net profit every year as disclosed in the profit and loss account and before any dividend is declared.

RBI has, *vide* HFC Directions 2021, has declared that all HFCs accepting and/or holding public deposits shall create floating charges on the assets invested by them in terms of sub-sections (1) and (2) of Section 29B of the NHB Act, 1987 in favour of their depositors through the mechanism of a trust deed as prescribed in the HFC Directions 2021. The charge so created is required to be registered with the Registrar of Companies and the information in this regard is required to be furnished to the trustees and to NHB. Further, every HFC accepting public deposits shall (1) invest and continue to invest in India in unencumbered approved securities, valued at a price not exceeding the current market price of such securities, an amount which, at the close of business on any

day, shall not be less than 6.5 per cent of the public deposits outstanding at the close of business on the last working day of the second preceding quarter. (2) maintain in India in an account with a scheduled bank in term deposits or certificate of deposits (free of charge or lien) or in deposits with the National Housing Bank or by way of subscription to the bonds issued by the National Housing Bank, or partly in such an account or in such deposit or partly by way of such subscription, a sum which, at the close of business on any day, together with the investment made under clause (1) shall not be less than 13 per cent of the public deposits outstanding at the close of business on the last working day of the second preceding quarter.

Under the terms of the NHB Act, the NHB has the power to direct deposit accepting HFCs to furnish such statements, information or particulars relating to deposits received by the HFC, as may be specified by the NHB. The NHB may cause an inspection to be made of any deposit accepting HFCs for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for the purpose of obtaining any information or particulars which the HFC has failed to furnish on being called upon to do so.

### **The Recovery of Debts and Bankruptcy Insolvency Resolution and Bankruptcy of Individuals and Partnership Firms Act, 1993**

The Recovery of Debts and Bankruptcy Insolvency Resolution and Bankruptcy of Individuals and Partnership Firms Act, 1993 (**DRT Act**) provides for establishment of the Debts Recovery Tribunals (**DRTs**), for expeditious adjudication and recovery of debts due to banks and public financial institutions or to a consortium of banks and public financial institutions. Under the DRT Act, the procedures for recovery of debt have been simplified and time frames have been fixed for speedy disposal of cases. The DRT Act lays down the rules for establishment of DRTs, procedure for making application to the DRTs, powers of the DRTs and modes of recovery of debts determined by DRTs. These include attachment and sale of movable or immovable property of the defendant, taking possession of property over which security interest is created or any other property of the defendant and appointing receiver for such property and to sell the same, arrest of the defendant and defendant's detention in prison and appointment of receiver for management of the movable or immovable properties of the defendant and any other mode of recovery as may be prescribed by the Central Government.

The DRT Act also provides that a bank or public financial institution having a claim to recover its debt may join an ongoing proceeding filed by some other bank or public financial institution against its debtor at any stage of the proceedings before the final order is passed by making an application to the DRT.

The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 (**ESIRDA**) which was introduced on 16 August 2016, amended the DRT Act. The amendments to the DRT Act pursuant to ESIRDA include, amongst others, (i) providing further details of procedures that tribunals need to follow in case of debt recovery proceedings; (ii) granting of power to recovery officers to take possession of the property over which security interest is created or any other property of the defendant as well as appoint a receiver and sell the same; (iii) priority being given to secured creditors in cases where insolvency or bankruptcy proceedings are pending in respect of secured assets of a borrower subject to the provisions of the Insolvency and Bankruptcy Code, 2016 (the **Bankruptcy Code**); and (iv) depositing of 50% of the amount of debt due as determined by the DRTs, for filing an appeal against any order of the recovery officer.

### **Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (HFC Directions 2021)**

The objective of the HFC Directions 2021 is to consolidate the existing regulatory framework applicable to HFCs and to enable the RBI to regulate the financial system to the advantage of the country and to prevent the affairs of HFCs from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such HFCs.

The guidelines define an HFC as a company incorporated under the Companies Act, 2013 that fulfils the following conditions: (a) it is an NBFC whose financial assets, in the business of providing finance for housing, constitute

at least 60 per cent. of its total assets (netted off by intangible assets); (b) out of the total assets (netted off by intangible assets), not less than 50 per cent. should be by way of housing finance for individuals. The

- Guidelines on Liquidity Risk Management Framework: all non-deposit taking HFCs with asset size of Rs. 1 billion and above and all deposit taking HFCs (irrespective of asset size) shall pursue liquidity risk management, which inter alia should cover adherence to gap limits, making use of liquidity risk monitoring tools and adoption of stock approach to liquidity risk. It will be the responsibility of the Board of each HFC to ensure that the guidelines are adhered to. The internal controls required to be put in place by HFCs as per these guidelines shall be subject to supervisory review.
- Guidelines on Maintenance of Liquidity Coverage Ratio (**LCR**): HFCs shall maintain a liquidity buffer in terms of LCR, which will promote resilience of HFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (**HQLA**) to survive any acute liquidity stress scenario -2- lasting for 30 days. Guidelines on LCR will be applicable to HFCs as per the following timelines:

- (i) All non-deposit taking HFCs with asset size of Rs. 100 billion & above, and all deposit taking HFCs irrespective of their asset size:

From	1 December 2021	1 December 2022	1 December 2023	1 December 2024	1 December 2025
Minimum LCR	50%	60%	70%	85%	100%

- (ii) All non-deposit taking HFCs with asset size of Rs. 50 billion and above, but less than Rs. 100 billion:

From	1 December 2021	1 December 2022	1 December 2023	1 December 2024	1 December 2025
Minimum LCR	30%	50%	60%	85%	100%

- Loans against security of shares: HFCs lending against the collateral of listed shares shall maintain a Loan to Value (**LTV**) ratio of 50 per cent. for loans granted against the collateral of shares. Any shortfall in the maintenance of the 50 per cent. LTV occurring on account of movement in the share price shall be made good within seven working days.
- Loans against security of single product - gold jewellery: HFCs shall maintain a LTV ratio not exceeding 75 per cent. for loans granted against the collateral of gold jewellery, and shall put in place a Board approved policy for lending against gold.
- Guidelines on Securitization Transactions and reset of Credit Enhancement: HFCs shall carry out securitisation of standard assets and transfer of assets through direct assignment of cash flows and the underlying securities. In doing so, HFCs, among other things, shall conform to the minimum holding period (**MHP**) and minimum retention requirement (**MRR**) standards.
- Managing Risks and Code of Conduct in Outsourcing of Financial Services: It is imperative that HFCs outsourcing their activities ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities.
- Implementation of Indian Accounting Standards: HFCs shall maintain a prudential floor in respect of impairment allowances and follow instructions on regulatory capital.



Additionally, no HFC shall invite, accept or renew public deposits at a rate of interest exceeding 12.5 per cent. per annum or as revised by RBI. Interest may be paid or compounded at rests which shall not be shorter than monthly rests. As per these directions, HFCs should ensure that at all times there is full cover available for public deposits accepted by them. An HFC which has failed to repay any public deposit or part thereof in accordance with the terms and conditions of such deposit, as provided in NHB Act, 1987, shall not grant any loan or other credit facility by whatever name called or make any investment or create any other asset as long as the default exists.

Every HFC shall maintain a minimum capital ratio on an ongoing basis consisting of Tier-I and Tier-II capital which shall not be less than:

- (i) 13 per cent. as on 31 March 2020;
- (ii) 14 per cent. on or before 31 March 2021; and
- (iii) 15 per cent. on or before 31 March 2022 and thereafter,

of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items.

The Tier-I capital, at any point of time, shall not be less than 10 per cent and the total of Tier-II capital, at any point of time, shall not exceed 100 per cent of Tier-I capital.

Further, the aggregate exposure of an HFC to the capital market in all forms (both fund based and non-fund based) should not exceed 40 per cent. of its net worth as on 31 March of the previous year.

No HFC may lend to (a) any single borrower exceeding 15 per cent. of its owned fund and (b) any single group of borrowers exceeding 25 per cent. of its owned fund. It cannot invest in (a) the shares of another company exceeding 15 per cent. of its owned fund and (b) the shares of a single group of companies exceeding 25 per cent. of its owned funds.

In case an HFC prefers to undertake exposure in group companies, such exposure, by way of lending and investing directly or indirectly, cannot be more than 15 per cent. of owned fund for a single entity in the group and 25 per cent. of owned fund for all such group entities. In case of companies in a group engaged in real estate business, HFCs may undertake exposure either to the group company engaged in real estate business or lend to retail individual home buyers in the projects of such group companies.

Subject to fulfilling certain conditions, an HFC can apply to the NHB, to be recognised as a "Financial Institution" under Section 2(1)(m)(iv) of SARFAESI Act. The NHB, in turn, will recommend the Central Government to make such notification. However, an HFC which is notified as a Financial Institution will be subject to denotification if the individual housing loan portfolio has fallen below 50 per cent. of total loan portfolio in 2 consecutive financial years or if an adverse report has been received from FIU-IND, SFIO or any other regulatory authority like SEBI, IRDAI, SFIO.

An HFC having the prescribed Net Owned Fund of Rs. 200 million may take up insurance agency business on a fee basis without any risk participation and without the approval of the RBI. However, permission from the IRDAI and compliance with its regulations for acting as 'composite corporate agent' with insurance companies is required. There should be no 'linkage' either directly or indirectly between the provision of financial services offered by the HFC to its customers and use of the insurance products.

Additionally, every HFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease and/or hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- (a) Standard Assets;

- (b) Sub-standard Assets;
- (c) Doubtful Assets; and
- (d) Loss Assets.

The provisioning requirement in respect of loans, advances and other credit facilities, including bill purchased and discounted shall be as under:

Standard Assets	(a) Standard Assets in respect of housing loans at teaser/ special rates (i.e. housing loans at comparatively lower rates of interest in the first few years after which rates are re-set at higher rates).	2 per cent. provision on the total outstanding amount of such loans. The provisioning of these loans to be reset after one year at the applicable rates from the date on which the rates are reset at higher rates if the accounts remain 'standard'.								
	(b)(i) Standard Assets in respect of Commercial Real Estates – Residential Housing (CRE-RH).	0.75 per cent. on the total outstanding amount of such loans.								
	(b)(ii) Standard Assets in respect of all other Commercial Real Estates (CRE).	1.00 per cent. on the total outstanding amount of such loans.								
	(b)(iii) Standard Assets in respect of Individual Housing Loans.	0.25 per cent. on the total outstanding amount of such loans.								
	(c) Standard Assets in respect of all loans other than (a) & (b) above.	A general provision of 0.4 per cent. of the total outstanding amount of loans which are standard assets shall be made.								
Sub-standard Assets	A general provision of 15 per cent. of total outstanding shall be made.									
Doubtful Assets	(a) 100 per cent. provision to the extent to which the advance is not covered by the realisable value of the security to which the HFC has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis.									
	(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 25 per cent. to 100 per cent. of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:									
	<table border="1"> <thead> <tr> <th>Period for which the asset has been considered doubtful:</th> <th>Per cent of provision (%):</th> </tr> </thead> <tbody> <tr> <td>Up to one year.</td> <td>25</td> </tr> <tr> <td>One to three years.</td> <td>40</td> </tr> <tr> <td>More than three years.</td> <td>100</td> </tr> </tbody> </table>	Period for which the asset has been considered doubtful:	Per cent of provision (%):	Up to one year.	25	One to three years.	40	More than three years.	100	
Period for which the asset has been considered doubtful:	Per cent of provision (%):									
Up to one year.	25									
One to three years.	40									
More than three years.	100									
Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100 per cent. of the outstanding shall be provided for.									

The HFC Directions 2021 also prescribe a set of guidelines to put in place the mechanism of reporting information on willful defaults of Rs. 2.5 million and above by HFCs to all Credit Information Companies.

### **The Prevention of Money Laundering Act, 2002**

The Prevention of Money Laundering Act, 2002 (**PMLA**) was enacted to prevent money laundering and to provide for confiscation of property derived from, and involved in, money laundering. In terms of the PMLA, every financial institution, including housing finance institutions, is required to maintain record of all transactions including the value and nature of such transactions, furnish information of such transactions to the director defined under PMLA, and verify and maintain the records of the identity of all its clients, in such a manner as may be prescribed. The PMLA also provides for power of summons, searches and seizures to the authorities under the PMLA. In terms of PMLA, whosoever, directly or indirectly, attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of the offence of money laundering. Upon the amendment of the NHB Act by the Finance (No.2) Act, 2019, certain powers for regulation of HFCs were conferred upon the RBI. The RBI *vide* notification dated 19 May 2020, the RBI extended the RBI Master Direction – Know Your Customer (KYC) Directions, 2016 to HFCs (**KYC Master Directions**). The KYC Master Directions has been repealed and replaced by the HFC Directions 2021 with effect from February 17, 2021. The HFC Directions 2021 has consolidated directions on Know Your Customer (**KYC**), Anti-Money Laundering (**AML**) and Combating the Financing of Terrorism (**CFT**), included in the KYC Master Directions, and requires the regulated entities to follow certain customer identification procedures while undertaking a transaction, either by establishing an account-based relationship or otherwise and monitor their transactions in view of the provisions of PMLA and the rules framed thereunder. In terms of the HFC Directions, all regulated entities (**REs**) should carry out ‘Money Laundering and Terrorist Financing Risk Assessment’ exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. Additionally, the HFC Directions 2021 lay down a detailed procedure for conducting and storing records of video based customer identification process (**V-CIP**). Since May 2021, it is mandatory for all REs to adopt a risk-based approach for periodically updating of KYC. Periodic updates need to be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account or last KYC update

### **The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002**

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (**SARFAESI Act**) regulates the securitisation and reconstruction of financial assets of banks and financial institutions. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default.

The RBI has issued guidelines to banks and financial institutions on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank, or a financial institution, may sell financial assets to an asset reconstruction company provided the asset is an NPA. A bank or financial institution may sell a financial asset only if the borrower has a consortium or multiple banking arrangements and at least 75 per cent. by value of the assets to the borrower are classified as an NPA and at least 75 per cent. by the value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale of the asset to the securitisation or reconstruction company.

The SARFAESI Act provides for the acquisition of financial assets by a securitisation company or reconstruction company from any bank or financial institution on such terms and conditions as may be agreed upon between them. A securitisation company or reconstruction company having regard to the guidelines framed by the RBI may, for the purposes of asset reconstruction, provide for measures such as the proper management of the business of the borrower by change in or takeover of the management of the business of the borrower, the sale or lease of

a part or whole of the business of the borrower and certain other measures, such as rescheduling of payment of dues payable by the borrower and enforcement of security.

Additionally, under the provisions of the SARFAESI Act, any securitisation company or reconstruction company may act as an agent for any bank or financial institution for the purpose of recovering its dues from the borrower on payment of such fees or charges as may be mutually agreed between the parties.

Further, the SARFAESI Act was amended under ESIRDA. The amendments include: (i) secured creditors can take assistance of the district magistrate to complete the process of recovery of debt within 30 days of filing of an affidavit; (ii) on commencement of the Bankruptcy Code, in cases where insolvency or bankruptcy proceedings are pending in respect of secured assets of the borrower, secured creditors would be given a preference in payment of debt subject to the provisions of the Bankruptcy Code; (iii) creation of a central database to integrate recording of rights over any property registered under various registration systems; (iv) exemption from levy of any stamp duty on transactions for transfer of financial assets of banks or financial institutions in favour of asset reconstruction companies; (v) no requirement for classification of secured debt as non-performing asset in cases of funds raised through issue of debt securities; (vi) granting power to the Reserve Bank of India to carry out audit and inspection of asset reconstruction companies from time to time; (vii) substitution of the term “*qualified institutional buyers*” with the term “*qualified buyers*” in order to include non-institutional investors as well; and (viii) with respect to the prior approval of the RBI for any “*substantial change*” in management of an asset reconstruction company, including changes affecting the sponsorship in the company by way of transfer of shares within the meaning of the expression ‘substantial change in management’.

### **Refinance Scheme for Housing Finance Companies, 2003**

Pursuant to the Refinance Scheme for Housing Finance Companies, 2003 (**Refinance Scheme**), as amended *vide* circular NHB(ND)/ROD/HFC/LRS/17/2004 dated 15 April 2005, HFCs registered with the NHB are eligible to obtain refinance from the NHB in respect of their direct lending up to Rs. 5,000,000 to individuals for the purchase, construction, repair and upgrade of housing units.

Pursuant to the Refinance Scheme, and clarification provided *vide* circular NHB(ND)/ROD/HFC/Refinance Circular 1/2015-16 dated 15 October 2015, HFCs registered with the NHB are eligible to obtain refinance from the NHB against loans extended by them if they fulfil the following criteria:

- (a) The HFCs are required to provide long-term finance for purchase, construction, repair and upgrading of dwelling units by home-seekers;
- (b) Should invest at least 75 per cent. of capital employed by way of long-term finance for housing;
- (c) The HFC should have a NOF of not less than Rs. 1,000,000,000. NOF will carry the same meaning as defined in Housing Finance Companies (NHB) Directions, 2010;
- (d) The HFC should comply with the provisions of the National Housing Bank Act, 1987 and Housing Finance Companies (NHB) Directions, 2010, as amended from time to time;
- (e) The Net Non-Performing Assets (**NNPA**) of the HFC should not be more than 2.50 per cent. of the Net Advances. NPA shall carry the same meaning as defined in Housing Finance Companies (NHB) Directions, 2010. NNPA means ‘NPA less provision’. **Net Advances** shall mean ‘Advances less provision’. ‘Advances’ shall, apart from housing loans, include mortgage loans, lease transactions, hire purchase assets, bills of exchange, inter-corporate deposits and unquoted debentures; and
- (f) The HFC should have completed at least three years of operations (i.e. the HFC should be able to furnish three years’ audited financial statements).

The security for refinance from the NHB may generally be secured by a charge on the book debts of a HFC. Additional security, such as a charge on immovable properties or movable properties, guarantee of promoters, etc., may be stipulated at discretion of the NHB. If, at any time, the NHB is of the opinion that the security provided by the HFC has become inadequate to cover the outstanding refinance, it may advise the HFC to furnish such additional security including, *inter alia*, charges on immovable/moveable property or a requisite guarantee.

In 2020, owing of the Covid-19 pandemic, the RBI had provided a special liquidity facility of Rs. 100 billion to the NHB in order to enable it to infuse liquidity into the housing sector through HFCs at more affordable rates and to meet the credit needs of the sector. Accordingly, the NHB has launched the Special Refinance Facility (SRF) scheme. The objective of the scheme is to provide short term refinance support to HFCs which will partially mitigate their liquidity risk and improve the much needed liquidity into the overall housing finance system. The total amount allocated under this scheme was Rs. 100 billion.

In 2021, in view of the recent surge of Covid-19 cases and to sustain the growth momentum, RBI has provided another Special Liquidity Facility-2 of Rs. 100 billion to NHB. Accordingly, NHB has launched the Special Refinance Facility - 2021 (SRF-2021) scheme with an objective to provide short term refinance facility support to HFCs and other eligible PLIs to meet their liquidity requirement. The total amount allocated under this scheme shall be Rs. 100 billion. Further, this facility will be repaid in 4 quarterly instalments to avoid abrupt withdrawal of liquidity from the system. A HFC would be eligible for the SRF-2021 if (i) its maximum net non-performing assets should not be more than 7.5 per cent. and (ii) its ratio of individual housing loans to total assets should be a minimum of 51 per cent as under the liberalized refinance scheme of the NHB.

#### **Master Circular on Housing Finance issued by the RBI**

Pursuant to the Master Circular on Housing Finance dated 1 July 2015, issued by the RBI (**Master Circular**), banks may grant loans to housing finance institutions taking into account (long-term) debt-equity ratio, track record, recovery performance and other relevant factors including the other applicable regulatory guidelines. While deciding the quantum of term loan to be sanctioned as housing finance, banks are required to adhere to the loan to value ratio for loans as specified in the Master Circular.

Pursuant to the amendment of the NHB Act by the Finance (No.2) Act, 2019, wherein certain powers for regulation of HFCs were conferred upon it, the RBI *vide* circular no. RBI/2019-20/98 DOR NBFC (PD) CC.No.105/03.10.136/2019-20 dated 11 November 2019, withdrew certain exemptions that were earlier granted to HFCs, including the Issuer. As a result, the RBI has made the provisions of Chapter IIIB relating to non-banking institutions receiving deposits and financial institutions (except Section 45-IA of Reserve Bank of India Act, 1934) applicable to HFCs, including the Issuer. For details, see *“Risk Factors – the Issuer may have to comply with stricter or unexpected regulations and guidelines issued by regulatory authorities in India, including the RBI, the NHB and the Companies Act, which may increase the Issuer's compliance costs, divert the attention of the Issuer's management and subject it to penalties.”*

#### **Master Direction and guidelines on Priority Sector Lending issued by the RBI**

Pursuant to the Revised guidelines on lending to Priority Sector for Primary (Urban Cooperative Banks) (UCBs) dated 10 May 2018, issued by the RBI, assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction or reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of Rs. 1,000,000 per dwelling unit would be classified under priority sector. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

Further, pursuant to the Master Direction dated 7 July 2016 on Reserve Bank of India (Priority Sector Lending — Targets and Classification) Directions, 2016, issued by the RBI, a classification has been made of categories and targets and sub-targets have been set for priority sector lending for all scheduled commercial banks operating in India.

## **Guidelines for Asset Liability Management System for HFCs**

The guidelines for introduction of asset liability management system by HFCs was issued by NHB *vide* circular NHB(ND)/HFC(DRS-REG)/ALM/1407/2002 dated 28 June 2002 (**ALM Guidelines**). NHB has since revised the guidelines from time to time and had issued guidelines for asset liability management system in HFCs on 11 October 2010. The revised guidelines are applicable to all HFCs, irrespective of whether they are accepting or holding public deposits or not. The ALM Guidelines for HFCs lay down broad guidelines for HFCs in respect of systems for management of liquidity and interest rate risks. The ALM Guidelines provide that the board of directors of an HFC should have overall responsibility for the management of risks and should decide the risk management policy and set limits for liquidity, interest rate, exchange rate and equity price risks. Additionally, an asset-liability committee is required to be constituted, consisting of the HFCs' senior management including the chief executive officer, for ensuring adherence to the limits set by the board as well as for deciding the business strategy of the HFC (on the assets and liabilities sides) in line with the HFCs' budget and decided risk management objectives. Asset-liability management support groups to be constituted of operating staff are responsible for analysing, monitoring and reporting the risk profiles to the asset-liability committee.

The ALM Guidelines also recommended the classification of various components of assets and liabilities into different time buckets for preparation of gap reports (liquidity and interest rate sensitive). The gap is the difference between rate sensitive assets and rate sensitive liabilities for each time bucket. In accordance with the ALM Guidelines, HFCs which are better equipped to reasonably estimate the behavioural pattern of various components of assets and liabilities on the basis of past data or empirical studies could classify them in the appropriate time buckets, subject to approval by the asset-liability committee/board of the HFC.

## **Fair Practices Code under the HFC Directions 2021**

Pursuant to the HFC Directions 2021, directions and guidelines have been provided for transparency in transactions between the institutions and the end users and also to provide for well-informed business relationships. The HFC Directions 2021 seeks to promote good and fair practices by setting minimum standards in dealing with customers, increasing transparency, encouraging market forces, promoting fair and cordial relationship between customers and HFCs and fostering confidence in the housing finance system.

The HFC Directions 2021 provides for provisions in relation to providing appropriate updates to the customer, prompt resolution of grievances and confidentiality of customer information. HFCs are required to prescribe a code of conduct for their Direct Selling Agencies whose services are availed to market products / services which amongst other matters require them to identify themselves when they approach the customer for selling products. The HFC Directions 2021 also provides for provisions to be followed by HFCs in relation to applications for loans by borrowers, loan appraisals, communication on rejection of loan application and disbursement of loans to borrowers. In terms of the HFC Directions 2021, the HFCs are required to disclose information on interest rates, common fees and charges through notices etc. HFCs are required to ensure that all advertising and promotional materials are clear and not misleading and that privacy and confidentiality of the customers' information is maintained. Further, whenever loans are given, HFCs should explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to the repayment schedule, a defined process in accordance with the laws of the land shall be followed for the recovery of dues. The process will involve reminding the customer by sending him/her a notice or by making personal visits and/or repossession of security, if any.

## **Guidelines for Recovery Agents Engaged by HFCs**

The HFC Directions 2021 stipulated the practices and procedures regarding the engagement of recovery agents by the HFCs. Under the HFC Directions 2021, HFCs are required to have a due diligence process in place for engagement of the recovery agents, which should cover, *inter alia*, individuals involved in the recovery process. HFCs are required to ensure that the agents engaged by them in the recovery process carry out verification of the antecedents of their employees, which may include pre-employment police verification as a matter of abundant

caution. HFCs may decide the periodicity at which re-verification should be resorted to. HFCs are required to ensure that the recovery agents are properly trained to handle their responsibilities with care and sensitivity, in particular, aspects like hours of calling and privacy of customer information, among others. They are also required to inform the borrower of the details of recovery agency firms or companies while forwarding default cases to the recovery agency.

Under the HFC Directions 2021, any person authorised to represent a HFC in a collection and/or security repossession should follow guidelines which includes *inter alia* contacting the customer ordinarily at the place of his/her choice, interaction with the customer in a civil manner and assistance to resolve disputes or differences regarding dues in a mutually acceptable and orderly manner. Each HFC should have a mechanism whereby the borrower's grievances with regard to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower. HFCs have been advised to constitute grievance redressal machinery within the company and give wide publicity about it through electronic and print media.

HFCs are required to, at least on an annual basis, review the financial and operational condition of the service providers to assess their ability to continue to meet their outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider, should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

### **Norms for Excessive Interest Rates**

The NHB *vide* circular NHB(ND)/DRS/POL-No-29/2009 dated 2 June 2009, has advised all HFCs to revisit internal policies in determining interest rates, fees and other charges. According to this notification, the HFCs were advised to revisit their policies on interest rate determination, fees and other charges, including margins and risk premiums charged to different categories of borrowers and get the approved by the board of directors of the HFC. HFCs were also advised to ensure adequate disclosure about interest rates and charges keeping in view the Fair Practices Code regarding transparency in respect of terms and conditions of the loans and to put in place an internal mechanism to monitor the process and operations to ensure transparency in communications with borrowers.

### **Foreign Investment in HFCs**

On 17 October 2019, the RBI issued Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (**FEMA Rules**) to replace the Foreign Exchange Management (Transfer and Issue of Security by a Person Resident Outside India) Regulations, 2017 (**Old FEMA 20**).

Foreign Investment in India is governed primarily by the provisions of the FEMA Rules and the rules, regulations and notifications thereunder, read with the presently applicable Consolidated FDI Policy, effective from 15 October 2020 (**Consolidated FDI Policy**) issued by the Department for Promotion of Industry and Internal Trade from time to time. As per the provisions of the Consolidated FDI Policy and FEMA, 100 per cent. FDI under the automatic route is permitted for investment in "Other Financial Services" which mean financial services activities regulated by financial sector regulators, viz., Reserve Bank, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, Pension Fund Regulatory and Development Authority, National Housing Bank or any other financial sector regulator as may be notified by the Government of India, subject to the following conditions:

- (a) Foreign investment in "Other Financial Services" activities shall be subject to conditionalities, including minimum capitalisation norms, as specified by the concerned regulator or government agency;
- (b) "Other Financial Services" activities need to be regulated by one of the financial sector regulators. In all such financial services activities which are not regulated by any financial sector regulator or where only part of the financial services activity is regulated or where there is doubt regarding the regulatory oversight,

foreign investment up to 100 per cent. will be allowed under government approval route subject to conditions including minimum capitalisation requirement, as may be decided by the Government;

- (c) Any activity which is specifically regulated by applicable law, the foreign investment limits will be restricted to those levels or limit that may be specified in that law, if so mentioned; and
- (d) Downstream investments by any of these entities engaged in "Other Financial Services" will be subject to the provisions of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, as amended from time to time.

Further, foreign investment in investing companies registered as non-banking financial companies (**NBFCs**) with the RBI, being overall regulated, would be under the 100 per cent. automatic route. The Department for Promotion of Industry and Internal Trade (formerly known as the *Department of Industrial Policy & Promotion*) had, by way of press note no. 3 (2020 series) amended the FEMA Rules by restricting foreign direct investments by an entity of any country which shares a border with India or where the beneficial owner of an investment into India is situated in, or is a citizen of such a country, only through the Government approval route.

### **The Bankruptcy Code**

The Bankruptcy Code was effective from 28 May 2016. The Bankruptcy Code (i) empowers all creditors (whether secured, unsecured, domestic, international, financial or operational) to trigger resolution processes; (ii) enables the resolution process(es) to start at the earliest sign of financial distress; (iii) provides for a single forum to oversee all insolvency and liquidation proceedings; (iv) enables a calm period where new proceedings do not derail existing ones; (v) provides for replacement of the existing management during insolvency proceedings while maintaining the enterprise as a going concern; (vi) offers a finite time limit within which the debtor's viability can be assessed; and (vii) lays out a linear liquidation mechanism.

The Government has notified the Banking Regulation (Amendment) Act, 2017 in the official gazette on 25 August 2017 (Amendment) and the same has been deemed to be in force since 4 May 2017. The Amendment introduces two new sections in the Banking Regulation Act, 1949, being, Section 35AA and Section 35AB, which empower RBI to intervene in the resolution of stressed assets. These measures are as follows:

- (a) The Central Government may, by order, authorise the RBI to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Bankruptcy Code;
- (b) RBI may, from time to time, issue directions to any banking company or banking companies for resolution of stressed assets; and
- (c) RBI may specify one or more authorities or committees with such members as the RBI may appoint or approve for appointment to advise any banking company or banking companies on resolution of stressed assets.

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2018 notified on 17 August 2018, among others, recognises the amounts paid by allottees under a real estate project (in terms of the Real Estate (Regulation and Development) Act, 2016) as 'financial debt' and expressly allows for withdrawal of the applications filed under Sections 7 and 9 of the Insolvency Code.

Additionally, on 13 March 2020, the Government amended certain provisions of the Bankruptcy Code, by the Insolvency and Bankruptcy Code (Amendment) Act, 2020 (the **2020 Amendment**), which introduces certain changes to the substantive as well as procedural aspects relating to the insolvency process. Some of the key changes are as follows:



- (a) The 2020 Amendment provides the minimum thresholds for certain classes of financial creditors for initiating the insolvency resolution process. In respect of real estate projects, resolution process can be initiated by filing an application jointly by at least 100 allottees of the same real estate project, or 10 per cent. of the total allottees under that project.
- (b) The 2020 Amendment restricted the initiation of the insolvency resolution process to certain corporate debtors, which includes, (i) corporate debtors undergoing an insolvency resolution process, (ii) corporate debtors who have completed the resolution process 12 months before making the application, (iii) corporate debtors or financial creditors who have violated terms of the resolution plan, or (iv) corporate debtors in respect of whom a liquidation order has been passed.
- (c) No existing license, permit, registration, quota, concession or clearance, given by the Government or a local authority will be suspended or termination on the grounds of insolvency.

The Ministry of Housing and Urban Affairs *vide* office memorandum dated 13 May 2020, extended the completion date of all registered projects which were expiring on or after 25 March 2020 by six months by invoking the force majeure clause, which may be further extended for a period of three months on the discretion of the regulatory authorities for different states. On 17 May 2020, the Central Government announced, amongst others, that initiation of fresh insolvency cases would be suspended for up to a period of one year. It was also announced that all 'Covid-19' related defaults would be excluded from the Bankruptcy Code. The amendment suspending initiation of Corporate Insolvency Resolution Process (CIRP) came into effect on 5 June 2020 through the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 (the **2020 Second Amendment**). The 2020 Second Amendment has been introduced to enable and safeguard corporate debtors who may default in the discharge of their obligations and are experiencing distress as a result of the Covid-19 pandemic. It introduces two new sections: (i) Section 10A; and (ii) sub-section 3 to Section 66. Section 10A suspends initiation of CIRP contained under Section 7 (*initiation by financial creditor*), Section 9 (*initiation by the operational creditor*) and Section 10 (*initiation by the corporate debtor*) of the Bankruptcy Code for any default arising on or after 25 March 2020 for six months or such further period not exceeding one year, as may be notified for this purpose. It clarifies that CIRP can be initiated for default occurring/committed prior to 25 March 2020.

Further, the 2020 Second Amendment, by way of a proviso, specifies that no application shall 'ever' be filed for initiation of CIRP against a corporate debtor for the said default occurring during the said period (six months or extendable up to a period of one year). Furthermore, new sub-section (3) to Section 66 introduced *vide* the 2020 Second Amendment, bars the resolution professional from moving an application under Section 66(2) in respect of default against which CIRP stands suspended. Section 66(2) imposes liability upon directors/partners of a corporate debtor:

- (i) if the director/partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of CIRP of the company; and
- (ii) the director/ partner failed to exercise due diligence in minimizing the potential losses to be incurred.

Accordingly, in terms of Section 66(2), director(s)/partner(s) can be asked by the adjudicating authority on an application made by the resolution professional to make contributions to the assets of the corporate debtor.

### **Timelines for Stressed Assets Resolution**

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 (**Prudential Framework**) mandate that in cases where a resolution plan is to be implemented, all lenders shall enter into an inter-creditor agreement, within thirty days from default (the **Review Period**), to provide for ground rules for finalisation and implementation of the resolution plan in respect of borrowers with credit facilities from more than one lender. Due to the impact of Covid-19, the RBI, *vide* circular RBI/2019-20/219 DOR.No.BP.BC.62/21.04.048/2019-20 dated 17 April 2020, decide to extend the resolution timelines under the

Prudential Framework, which were further extended by the RBI *vide* circular RBI/2019-20/245 DOR.No.BP.BC.72/21.04.048/2019-20 dated 23 May 2020, in the following manner:

- (a) for accounts which were within the Review Period as on 1 March 2020, the period from 1 March 2020 to 31 August 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from 1 September 2020, upon expiry of which the lenders shall have the usual 180 days for resolution; and
- (b) for accounts where the Review Period was over, but the 180-day resolution period had not expired as on 1 March 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180 day period was originally set to expire.

### **Investment by Foreign Portfolio Investors in Corporate Debt Securities — Review**

RBI *vide* circular RBI/2017-18/ 64 A.P. (DIR Series) Circular No. 05 dated 22 September 2017 directed to remove Masala Bonds (or Rupee denominated bonds issued overseas) from the purview of the corporate bond investment limit, creating headroom for corporate bond investment by Foreign Portfolio Investors. Further, the aforesaid circular specifies that currently the limit for investment by FPIs in corporate bonds is Rs. 2,443,230 million, which includes issuance of Masala Bonds of Rs. 440,010 million (including Masala Bond issuances that are in the pipeline). Masala Bonds will no longer form a part of the limit for FPI investments in corporate bonds with effect from 3 October 2017. They will instead form a part of ECB and will be monitored accordingly. The approval route introduced for all Masala Bond issuance *vide* the RBI circular RBI/2016-17/316/A. P. (DIR Series) Circular No.47 dated 7 June 2017 continues to apply and all eligible issuers proposing to issue Masala Bonds are required to approach the Foreign Exchange Department, RBI.

Further, RBI in 2019 introduced a separate channel, called the 'Voluntary Retention Route' (VRR), to enable FPIs to invest in debt markets in India in addition to the general investment limit. In terms of the RBI circular RBI/2018-19/187 A.P.(DIR Series) Circular No. 34 dated 24 May 2019 investments made through the VRR shall not be subject to any minimum residual maturity requirement, concentration limit or single/group investor-wise limits applicable to corporate bonds. The RBI *vide* circular RBI/2019-20/151 A.P. (DIR Series) Circular No.19 dated 23 January 2020 increased the investment cap to Rs. 1,500,000 million from Rs. 750,000 million for FPI investment under the voluntary retention route. Further, in terms of the circular, FPIs that were allotted investment limits under voluntary retention route may, at their discretion, transfer their investments made under the general investment limit to voluntary retention route. The RBI *vide* circular RBI/2017-18/199 A.P. (DIR Series) Circular No. 31 dated 15 June 2018 provided some operational flexibility as well as transition path for FPIs and custodians to adapt to regulations. It provides, among others, revision of minimum residual maturity requirement, security-wise limit and online monitoring of investments in Central Government Securities (**G-Sec**) and State Development Loans (**SDL**) categories. Through the circular, RBI permits FPIs to invest in corporate bonds with minimum residual maturity of above one year, subject to the condition that short-term investments in corporate bonds by an FPI shall not exceed 30 per cent. of the total investment of that FPI in corporate bonds. However, under RBI *vide* RBI/2018-19/123 dated 15 February 2019, the limit on the exposure of FPI in corporate bonds was withdrawn to encourage a wider spectrum of investors to access the Indian corporate debt market. Further, the RBI by way of the circular RBI/2018-19/176 dated 25 April 2019, permitted FPIs to invest in municipal bonds.

The RBI, *vide* circular RBI/2019-20/199 A.P. (DIR Series) Circular No. 24 dated 30 March 2020, increased the investment limits for FPIs in corporate bonds from Rs. 3,170,000 million to Rs. 4,292,440 million for 1 April 2020 to 30 September 2020 and to Rs. 5,414,880 million for 1 October 2020 to 31 March 2021. In light of the disruptions caused by the Covid-19 pandemic, the RBI, *vide* circular RBI/2019-20/239 A.P.(DIR Series) Circular No.32 dated 22 May 2020, allowed FPIs that have been allotted investment limits, between 24 January 2020 (the date of reopening of allotment of investment limits) and 30 April 2020, an additional time of three months to invest 75 per cent. of their committed portfolio size. For FPIs availing the additional time, the retention period for the investments (committed by them at the time of allotment of investment limit) would be reset to commence from the date that the FPI invests 75 per cent. of committed portfolio size. The RBI *vide* circular RBI/2020-21/116

A.P. (DIR Series) Circular No. 14 dated 31 March 2021, increased the investment limits for FPIs in corporate bonds from Rs. 5,414,880 million to Rs. 5,742,630 million for 1 April 2021 to 30 September 2021 and to Rs. 6,070,390 million for 1 October 2021 to 31 March 2022.

Further, RBI *vide* circular RBI/2020-21/105 A.P. (DIR Series) Circular No. 12 dated 26 February 2021, stated that investments by FPIs in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond have been exempted from the short-term limit and minimum residual maturity requirement.

### **Directions on Reporting and Monitoring of Frauds in NBFCs**

RBI *vide* circular no. RBI/DNBS/2016-17/49 dated 29 September 2016 has issued Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (**2016 Directions**) in order to put in place a reporting system for recording frauds without any delay and to fix staff accountability in respect of delays in the reporting of fraud cases to the RBI. In terms of the 2016 Directions, HFCs are required to strictly adhere to the timeframe fixed in this Direction for reporting fraud failing which, applicable NBFCs would be liable for penal action. HFCs are required to specifically nominate an official of the rank of general manager or equivalent who will be responsible for submitting all the returns to the NHB and reporting in terms of the 2016 Directions. Further, in case no frauds are detected, HFCs are not required to submit 'Nil' report to Frauds Monitoring Cell/Regional Offices of Department of Non-Banking Supervision of the RBI. They are required to fix staff accountability in respect of delays in reporting of fraud cases to the RBI.

In order to have uniformity in reporting, frauds have been classified in the 2016 Directions as under mainly based on the provisions of the Indian Penal Code:

- (a) Misappropriation and criminal breach of trust;
- (b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property;
- (c) Unauthorised credit facilities extended for reward or for illegal gratification;
- (d) Negligence and cash shortages;
- (e) Cheating and forgery;
- (f) Irregularities in foreign exchange transactions; and
- (g) Any other type of fraud not coming under the specific heads as above.

The 2016 Directions provide for the timeframe and the frequency of the reporting requirement for reporting of frauds involving Rs. 0.1 million or above and Rs. 10 million and above. It also sets out the matters that are required to be placed before the board of directors and the audit committee, as applicable.

HFCs are required to strictly adhere to the provisions of the 2016 Directions, in particular the timelines stipulated in the 2016 Directions, failing which the NBFCs would be liable for penal action as prescribed under the provisions of Chapter V of the Reserve Bank of India Act, 1934.

### **External Commercial Borrowings (ECB) Policy – New ECB Framework**

The current laws relating to ECBs (as applicable to the issue of Notes) are embodied in the Master Directions on External Commercial Borrowings, Trade Credits and Structured Obligations issued by RBI *vide* notification no. RBI/FED/2918-19/67 FED Master Direction No.5/2018-19 dated March 26, 2019, as amended from time to time (**ECB Master Directions**). ECBs can be accessed under two routes: (i) the automatic route; and (ii) the approval

route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route requires prior RBI approval. The ECB Master Directions classify ECBs under the categories of (a) foreign currency denominated ECBs (**FCY ECB**) and (b) Rupee denominated ECBs.

The RBI has merged the FCY ECB into a single track. Further, the RBI has also merged what was previously known as "Track III" (in relation to Rupee denominated ECB) and the framework on Rupee denominated bonds (**Masala Bonds**) as 'Rupee denominated ECB'. Previously, the framework for ECBs and Masala Bonds were separate. In terms of the ECB Master Directions, RBI has further expanded the list of eligible borrowers, widened the list of recognised lenders, reduced the minimum average maturity period to three years and set a uniform individual limit of USD 750 million or its equivalent per financial year (irrespective of specified activities / sector), which otherwise is in compliance with the parameters set out in the ECB Master Direction, can be raised under the automatic route, which is applicable across both types of ECB.

Pursuant to the ECB Guidelines, all eligible borrowers can issue plain vanilla Rupee-denominated overseas bonds with a three-year minimum average maturity period (other than in case of: (i) manufacturing sector companies which may raise ECBs with a minimum average maturity period of 1 year for ECB up to USD50 million or its equivalent per fiscal year; (ii) foreign equity holders which may raise ECBs with a minimum maturity period of 5 years provided that the proceeds are proposed to be utilised for working capital purposes, general corporate purposes or repayment of Rupee loans); (iii) ECBs raised for (a) for working capital purposes or general corporate purposes, and (b) on-lending by NBFCs for working capital purposes or general corporate purposes, subject to minimum average maturity period of 10 years; (iv) ECBs raised for (a) repayment of Rupee loans availed domestically for capital expenditure, and (b) on-lending by NBFCs for the aforesaid end-uses (i.e., repayment / refinancing of domestic Rupee loans for purposes other than for capital expenditure), subject to a minimum average maturity period of 7 years; (v) ECBs raised for (a) repayment / refinancing of Rupee loans availed domestically for purposes other than for capital expenditure, and (b) on-lending by NBFCs for the aforesaid end-uses (i.e., repayment / refinancing of domestic Rupee loans for purposes other than for capital expenditure), subject to a minimum average maturity period of 10 years; and (vi) ECBs for repayment of Rupee loans availed domestically for capital expenditure in the manufacturing and infrastructure sectors, subject to being classified as SMA-2 or NPA, under any one-time settlement with lenders.

Any applicable Call Option or Put Option provided for in the Terms and Conditions of the Notes shall not be exercisable prior to completion of minimum average maturity. In terms of the ECB Master Directions, ECB up to USD 750 million or equivalent per financial year will be permitted under the automatic route not requiring prior approval of the RBI so far as they are in compliance with the parameters and other terms and conditions set out in the ECB Master Directions.

#### ***Hedging of currency risk of borrower***

Eligible borrowers are allowed to hedge their foreign currency exposure in relation to ECBs in accordance with the guidelines in relation to hedging issued by the RBI. An AD Bank is required to confirm that the hedging requirement has been complied with during the currency of ECB and report the position to RBI by way of the Form ECB filing. Additionally, the following aspects with respect to hedging should be ensured: (i) Coverage – The ECB borrower will be required to cover principal as well as coupon through financial hedges; (ii) Tenor and rollover – the financial hedge shall have a minimum tenor of one year with periodic rollover duly ensuring that the exposure on account of ECB is not unhedged at any point during the currency of ECB; (iii) Natural Hedge – Natural hedge, in lieu of financial hedge, will be considered only to the extent of offsetting projected cash flows/revenues in matching currency, net of all other projected outflows. For this purpose, an ECB may be considered naturally hedged if the offsetting exposure has the maturity/cash flow within the same accounting year. Any other arrangements/ structures, where revenues are indexed to foreign currency will not be considered as natural hedge.

For Rupee-denominated bonds, the overseas investors are eligible to hedge their exposure in Rupee through permitted derivative products with AD Category-I banks in India. The investors can also access the domestic

market through branches/subsidiaries of the Indian banks abroad or branches of foreign banks with Indian presence on a back to back basis.

### ***Issuance of Overseas Rupee-Denominated Bonds***

Pursuant to the ECB Guidelines, all eligible borrowers can issue plain vanilla Rupee-denominated overseas bonds with a three-year minimum average maturity period (other than in case of: (i) manufacturing sector companies which may raise ECBs with a minimum average maturity period of 1 year for ECB up to USD50 million or its equivalent per fiscal year; (ii) foreign equity holders which may raise ECBs with a minimum maturity period of 5 years provided that the proceeds are proposed to be utilised for working capital purposes, general corporate purposes or repayment of Rupee loans).

For a prospective investor to be a recognised lender (as defined under the ECB Guidelines), he should be a resident of FATF or IOSCO Compliant country, including as on the date and upon transfer of the Notes. However, the following shall also be considered a recognised lender as defined under the ECB Guidelines: a) Multilateral and Regional Financial Institutions where India is a member country; and b) Foreign branches/subsidiaries of Indian banks only for foreign currency Notes. Further, foreign branches/subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market-makers/traders for Rupee denominated Notes issued overseas. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by the Indian banks is not allowed.

### **Issuance of any type of guarantee by Indian banks**

All India Financial Institutions and NBFCs relating to ECB is not permitted as per the ECB Master Directions. Financial intermediaries, including, Indian banks, all India financial institutions, or NBFCs are not permitted to invest in FCCBs - FCEBs in any manner whatsoever. ECB proceeds are permitted to be parked abroad as well as domestically in the manner prescribed in the framework. To provide relief to ECB borrowers affected by the Covid-19 pandemic, as a one-time measure and with effect from 7 April 2021, unutilised ECB proceeds drawn down on or before 1 March 2020 can be parked in term deposits with AD Category-I banks in India prospectively, for an additional period up to 1 March 2022. All ECBs can be raised under the automatic route if they conform to the parameters prescribed under this framework. Additionally, borrowings under ECB Framework are subject to certain reporting requirements apart from any other specific reporting required under the ECB Master Directions.

For providing greater transparency, information with regard to the name of the borrower, amount, purpose and maturity of ECB under both automatic and approval routes are put on the RBI's website, on a monthly basis, with a lag of one month to which it relates. The primary responsibility for ensuring that the borrowing is in compliance with the applicable guidelines is that of the borrower concerned. Any contravention of the applicable provisions of ECB Guidelines will invite penal action under FEMA.

### ***Recent Policy Measures undertaken by RBI***

*RBI's specific policy measures to address the stress in financial conditions caused by Covid-19.*

*Monetary Policy Committee on 2, 3 and 4 June 2021*

The MPC met and took stock of the evolving macroeconomic and financial conditions as well as the impact of the second wave of the Covid-19. Based on its assessment, the MPC voted unanimously to:

- Maintain status quo, keeping the policy repo rate unchanged at 4 per cent.;
- Continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target going forward;

- to keep the marginal standing facility (**MSF**) rate and the bank rate unchanged at 4.25 per cent.;
- To keep the reverse repo rate unchanged at 3.35 per cent.

MPC projected the real GDP growth at 9.5 per cent. and the CPI inflation at 5.1 per cent. during 2021-2022 (Source: *Governor's Statement, 4 June 2021, June 2021*).

*Additional measures were announced as follows:*

- On 5 May 2021, it was decided to open an on-tap liquidity window of Rs. 500 billion with tenors of up to 3 years at the repo rate until 31 March 2022 to boost provision of immediate liquidity for ramping up Covid-19 related healthcare infrastructure and services in the country. It has now been decided to open a separate liquidity window of Rs. 150 billion with tenors of up to three years at the repo rate until 31 March 2022 for certain contact-intensive sectors such as hotels and restaurants, tourism, travel agents, etc. Banks are expected to create a separate Covid-19 loan book under this scheme.
- To nurture the embryonic growth impulses of the economy, the RBI extended fresh support of Rs. 500 billion on 7 April 2021 to All India Financial Institutions (**AIFIs**) for new lending in 2021-2022. This included a special liquidity facility (**SLF**) of Rs. 250 billion to National Bank for Agriculture and Rural Development (**NABARD**) to support agriculture and allied activities, the rural non-farm sector and non-banking financial companies-micro finance institutions (**NBFC-MFIs**), an SLF of Rs. 100 billion to the NHB to support the housing sector and Rs. 150 billion to the Small Industries Development Bank of India (**SIDBI**) to meet the funding requirements of MSMEs. In order to meet MSMEs' short- and medium-term credit needs to kick start the investment cycle with additional focus on smaller MSMEs and businesses including those in credit deficient and aspirational districts, it has been decided to provide a further special liquidity facility of Rs. 160 billion to SIDBI.

## TAXATION

*The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.*

**Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser or seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposal of Notes.**

### **India**

The following is a summary of the principal existing Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction of acquiring, owning and disposing of the Notes.

### ***Payments through India***

Any payments which the Issuer will make under the Notes, including any additional amounts to be made in India, will be subject to the RBI regulations.

### ***Taxation of interest and withholding in respect thereof***

Interest on the Notes may not be subject to taxes in India if the proceeds of the issuance of the Notes are used for purposes of business carried on by the Issuer outside India or for the purposes of making or earning any income from any source outside India. However, should the proceeds of the issuance of the Notes be used for the purposes of carrying on the Issuer's business in India or for the purposes of making or earning any income from any source in India, non-resident investors would be liable to pay tax on the interest paid on the Notes at the prevailing tax rates subject to, and in accordance with, the provisions contained in the Income Tax Act, 1961. The rates of tax will be reduced if the non-resident investor is the beneficial recipient and is a resident of a country with which the Government has entered into an agreement for granting of relief from tax or for avoidance of double taxation (each a **Tax Treaty**), which, provided the provisions of such Tax Treaty are complied with, provides for the taxation in India of income by way of interest at a rate lower than that stated below. The Noteholder could be required to provide certain documents as well as information as prescribed by law to avail of the beneficial withholding tax rate.

If interest payable on the Notes is subject to tax in India, there is a requirement to withhold tax at the prevailing tax rate under the provisions of the Income Tax Act, 1961, subject to any lower rate of tax provided for by an applicable Tax Treaty. The Noteholders would be required to provide a tax residency certificate, Form 10F and other relevant details or documents in order to claim relevant tax treaty benefits. Withholding tax implications will have to be finalised based on relevant provisions of the Income Tax Act, 1961, applicable Tax Treaty and binding judicial precedents.

All payments of interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case pursuant to Condition 8.1 (*Payment without Withholding*), the Issuer will pay additional amounts as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, save for certain exceptions as set out therein.

#### ***Notes other than Rupee denominated Notes***

In the case of Notes that are not denominated in INR but are denominated in any other foreign currency and which Notes may be in the nature of infrastructure bonds, provided such Notes are issued any time between 1 October 2014 to 30 June 2023, in accordance with the provisions of Section 115A read with Section 194LC and CBDT Circular no. 15/2014 dated 17 October 2014, the rate of tax that would be applicable on such Notes in accordance with the Income Tax Act, 1961 would be 5.00 per cent. (plus the applicable surcharge and cess). The non-resident Noteholders would not be required to provide a copy of their permanent account number (**PAN**).

#### ***Rupee denominated Notes***

In relation to Rupee denominated Notes issued pursuant to the ECB Guidelines, for interest income from Rupee denominated Notes that are paid to non-resident investors, a withholding tax at the rate of 5.00 per cent. plus applicable surcharge and cess would be applicable in accordance with the provisions of Section 115A read with section 194LC of the Income-tax Act, 1961. The said rate of 5.00 per cent will be applicable in respect of Rupee denominated bonds issued outside India before 1 July 2023.

Further, the rate of tax deducted at source shall be 4.00 per cent (plus applicable surcharge and cess) on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of Rupee denominated bonds on or after 1 April 2020 but before 1 July 2023, where such bond is listed only on a recognised stock exchange located in any International Financial Services Centre (**IFSC**).

This would be the final applicable tax meaning that if the Indian withholding tax is applied, then no other tax liability will be applicable. Further, any other details/documents, including a copy of PAN would not be required from the Noteholders if certain conditions are satisfied. Otherwise, certain details and documentation (which includes a tax residency certificate, tax identification number, name, address, email-id, contact number) would be required as per a circular issued by CBDT on 24 June 2016. In case the 5.00 per cent. rate (plus applicable surcharge and cess) is not applicable, the tax rates could range from 30.00 per cent. to 40.00 per cent. plus applicable surcharge and cess.

Section 10(4C) of the Income Tax Act 1961 provides an exemption to any income by way of interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of Rupee denominated bond issued outside India during the period from 17 September 2018 to 31 March 2019 in respect of the said bond as referred to in section 194LC of the Income-tax Act, 1961.

In relation to withholding taxes, the Finance Act, 2021 inserted a new section 206AB with effect from 1 July 2021 which would apply on any sum or income or amount paid, or payable or credited, by a person (herein referred to as **deductee**) to a specified person (as defined below). This section 206AB shall not apply where the tax is required



to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Income-tax Act, 1961. The tax shall be deducted under this section at the higher of the following rates:

- twice the rate specified in the relevant provision of the Income-tax Act, 1961; or
- twice the rate or rates in force; or
- the rate of five per cent.

It is also provided that if, in addition to this section 206AB, the provision of section 206AA of the Income-tax Act, 1961 is applicable to a specified person, the tax shall be deducted at the higher of the rates provided in this section 206AB and in section 206AA of the Income-tax Act, 1961.

"Specified person" means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his/her case is Rs 50 thousand or more in each of these two previous years. However, the specified person shall not include a non-resident who does not have a permanent establishment in India.

#### ***Taxation of gains arising on transfer***

Some of the key considerations in relation to taxation of gains arising on transfer of Notes are as follows:

- (a) a non-resident investor who has held the Notes as a capital asset for a period of more than 36 months immediately preceding the date of their disposal would be liable to pay capital gains tax at a rate ranging up to 20.00 per cent. or of 10.00 per cent. (without indexation and foreign currency conversion benefit) of the capital gains (plus applicable surcharge and cess) and non-resident Indian investors in certain cases would be liable to pay a capital gains tax of 10.00 per cent. (without indexation) of the capital gains (plus applicable surcharge and cess) for a similar period, subject to and in accordance with the provisions of the Income Tax Act, 1961. These rates are subject to any exemption or lower rate provided for by an applicable Tax Treaty, subject to fulfilment of the conditions prescribed under any such Tax Treaty;
- (b) a non-resident investor who has held the Notes as a capital asset for a period of 36 months or less would be liable to pay capital gains tax at rates ranging from 30.00 per cent. to 40.00 per cent. (plus applicable surcharge and cess) of capital gains depending on the legal status of the non-resident investor and his taxable income in India, subject to any exemption or lower rate provided for by an applicable Tax Treaty, subject to fulfilment of the conditions prescribed under any such Tax Treaty;

However, exemption from the applicability of any capital gains tax is provided to any transfer, made outside India, of a capital asset, being a Rupee denominated bond of an Indian Company issued outside India, by a non-resident to another non-resident.

Further, exemption is provided from capital gains tax on any transfer of a capital asset being:

- (i) bonds or Global Depository Receipt referred to in section 115AC(1) of the Act; or
- (ii) Rupee denominated bond of an Indian company; or
- (iii) derivative

made by a non-resident on a recognised stock exchange located in an IFSC and where the consideration for such transaction is paid or payable in foreign currency.

- (c) At the time of redemption of Notes that are denominated in INR. and which have been issued by an Indian Company but are subscribed by non-resident investors, any gains arising on account of appreciation of the Rupee against a foreign currency shall be ignored for the computation of full value of consideration. Accordingly, such gains arising to the original non-resident investor on account of the appreciation of the Rupee against a foreign currency at the time of redemption of the Notes held by such non-resident investor, shall not be taxable as capital gains;
- (d) any gains arising to a non-resident investor from disposal of the Notes held as stock-in-trade would be subject to income tax in India or in a case where a Tax Treaty is applicable, if the gains are attributable to a “permanent establishment” of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on such gains at rates of tax ranging from 30.00 per cent. to 40.00 per cent. (plus applicable surcharge and cess) depending upon the legal status of the non-resident investor and his taxable income in India.

The above tax rates are subject to relevant Tax Treaty benefits, if any. The Noteholders would be required to provide a tax residency certificate, Form 10F and other relevant details or documents (as may be applicable) in order to claim relevant Tax Treaty benefits. These details will also be required in order to apply the 10.00 per cent. tax rate under the provisions of the Income Tax Act, 1961, as mentioned above.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes.

#### **The Proposed Financial Transactions Tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Original Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a **participating Member State**). However, Estonia has since ceased to participate.

The Original Proposal had very broad scope: under the Original Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States, and could apply to various types of financial investment.

In June 2019, the Economic and Financial Affairs Council of the European Union (**ECOFIN**) again discussed the possibility of moving forward with the FTT. The most recent proposal (the **New Proposal**) is for the FTT to apply (more narrowly than was envisioned by the Original Proposal) to acquisitions of shares of listed companies which are headquartered in participating Member States. It was suggested that agreement on an FTT might be reached in Autumn 2019, though no agreement has yet been published.

The FTT proposal and the scope of any such tax remains subject to negotiation between the participating Member States and additional EU Member States may also decide to participate. While under the New Proposal the FTT should not apply to dealings in the Notes, the New Proposal may be altered prior to any implementation.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

#### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the

provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “*Terms and Conditions of the Notes — Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 28 July 2021 and as further amended, restated and/or supplemented from time to time (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by such Dealer. The Issuer may also from time to time pay each relevant Dealer a discretionary performance fee as agreed between the Issuer and such Dealer in respect of Notes to be subscribed by such Dealer. In addition, the Issuer may also from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third parties commissions (including, without limitation, rebates to certain private banks in connection with the distribution of the Notes to their clients). The commission payable to such private banks will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the price of the relevant Notes, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager (or any person acting for the Stabilising Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

Each of the Dealers and its affiliates may engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Dealer and its affiliates may, from time to time after completion of the offering of Notes, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. Each Dealer or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold the Notes on behalf of clients or in the capacity of investment advisers. While each Dealer and its affiliates has policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes. Further, each of the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its Subsidiaries, jointly controlled entities or associated companies

from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its Subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

### **United States**

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) the Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States or, to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws;
- (b) the Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. The Notes in bearer form will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163\_5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes in bearer form will be issued in accordance with the provision of U.S. Treasury Regulation §1.163\_5(c)(2)(i)(c) (or any successor U.S. Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010). Terms used in this paragraph have the meanings given to them by the U.S. Revenue Code of 1986 and regulations thereunder;
- (c) it will offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of the closing of the offering or the completion of the distribution of the Notes, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells any Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons;
- (d) until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act; and

- (e) each issuance of Notes in the form of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in this paragraph have the meanings given to them by Regulation S.

#### **Public Offer Selling Restriction under the EU Prospectus Regulation**

Unless the applicable Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (b) a customer within the meaning of Directive 2016/92/EC (as amended, **the Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the applicable Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA (each a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129.

## **Public Offer Selling Restriction under the UK Prospectus Regulation**

Unless the applicable Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the applicable Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA (each a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the EUWA.

### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent)

for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **India**

Each Dealer has represented and acknowledged (severally but not jointly) that (a) this Offering Circular has not been and will not be registered or filed, produced or published as an offer document (whether a prospectus or statement in lieu of a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act, 2013, (as amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the Securities and Exchange Board of India, the RBI, any Indian stock exchange or any other statutory or regulatory body of like nature in India, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement entered into by the Issuer with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 or pursuant to the sanction of any regulatory and adjudicatory body in India and (b) the Notes have not been and will not be offered or sold in India by means of any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or an agent, and (c) this Offering Circular or any other offering document or material relating to the Notes have not been and will not be circulated or distributed, directly or indirectly, to any person or to the public or any member of the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of and offer to subscribe for or purchase any securities in violation of applicable Indian laws and (d) this Offering Circular or any material relating to the Notes has not been and will not be circulated or distributed to any person who does not meet the Eligibility Requirements, and (e) the Notes will not be offered or sold and have not been offered or sold to any person who does not meet the Eligibility Requirements.

### *In the case of Rupee denominated Notes only:*

Each Dealer has acknowledged that: (a) this Offering Circular has not been and will not be registered, filed, produced or published as an offer document (whether a prospectus or statement in lieu of a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act, 2013, (as amended, supplemented or re-enacted from time to time) and the rules framed thereunder or any other applicable Indian laws for the time being in force) with the Registrar of Companies, the Securities and Exchange Board of India, the RBI, any Indian stock exchange or any other statutory or regulatory body of like nature in India, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement entered into by the Issuer with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 or pursuant to the sanction of any regulatory and adjudicatory body in India; (b) the Notes will not be offered or sold,



and have not been offered or sold, in India by means of any document and this Offering Circular or any other offering document or material relating to the Rupee denominated Notes will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India. The Rupee denominated Notes have not been offered or sold and will not be offered or sold in India in circumstances which would constitute an offer to the public within the meaning of the Companies Act, 2013, as amended and to the extent notified; and other applicable Indian law for the time being in force, advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase or transfer of any securities in violation of any Indian laws; and (c) this Offering Circular or any material relating to the Rupee denominated Notes has not been and will not be circulated or distributed to any prospective investor who does not meet the Eligibility Requirements (as defined below) or to any offshore branch or subsidiary of an Indian bank; and (d) the Notes will not be offered or sold or transferred and have not been offered or sold or transferred to any person who does not meet the Eligibility Requirements.

For the purposes of this section, **Eligibility Requirements** shall mean the criteria required to be fulfilled to be an eligible lender under the ECB Guidelines. For a lender to be an eligible lender under the ECB Guidelines, he should be a resident of FATF or IOSCO compliant country, including upon transfer of the Notes. However, a) multilateral and regional financial institutions where India is a member country will also be considered as recognised lenders; and b) Foreign branches/subsidiaries of Indian banks are permitted as recognised lenders only for foreign currency Notes.

Further, foreign branches/subsidiaries of Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market-makers/traders for Rupee denominated Notes issued overseas. However, underwriting by foreign branches/subsidiaries of Indian banks for issuances by the Indian banks will not be allowed.

For the purposes of this section, **FATF Compliant** means all of the following:

A resident of a country:

- (a) that is a member of FATF or a member of a FATF style regional body; and
- (b) should not be a country identified in the public statement of the FATF as:
  - (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or
  - (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.

For the purposes of this section, **IOSCO Compliant Country** means whose securities market regulator is a signatory to the International Organisation of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements.

Each Dealer has represented and agreed that, to the best of its knowledge and belief, the Notes are only being issued and sold to a person who meets the Eligibility Requirements and have not been issued or sold to a person resident in India or any offshore branch or subsidiary of an Indian bank. Further, this Offering Circular or any other material relating to the Notes has not been and will not be circulated or distributed to any prospective investor who does not meet the Eligibility Requirements and who is a person resident in India or any offshore branch or subsidiary of an Indian bank.

### ***Disclosure of information relating to holders of the Notes***

Holders and beneficial owners of the Notes shall be responsible for compliance with restrictions on the ownership and transfer of the Notes imposed from time to time by applicable laws, Indian laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of the Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning, transferring or selling the Notes.

The holders and beneficial owners of the Notes shall be deemed to confirm that for so long as they hold any Notes, they will meet the Eligibility Requirements. Further, all Noteholders (including holders and beneficial owners) represent and agree that the Notes will not be offered or sold on the secondary market or offered as security to any person who does not meet the Eligibility Requirements.

To comply with applicable laws and regulations, the Issuer or its duly appointed agent may from time to time request Euroclear and Clearstream to provide them with details of the accountholders within Euroclear and Clearstream, as may be appropriate, that hold the Notes and the number of Notes held by each such accountholder. Euroclear and Clearstream participants which are holders of the Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorised Euroclear and Clearstream as may be appropriate, to disclose such information to the Issuer or its duly appointed agent.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise stated in the applicable Pricing Supplement, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that all Notes issued or to be issued under the Programme are ‘prescribed capital markets products’ (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong), by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the **SFO**) other than: (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance) (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **General**

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply

with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee, any Agent nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Agents, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND IND AS

*The audited financial statements of the Issuer for the years ended 31 March 2020 and 31 March 2021 are presented in accordance with Indian Accounting Standards (Ind AS), which differ from International Financial Reporting Standards (IFRS) in certain respects.*

*The matters described below cannot necessarily be expected to reveal all differences between IFRS and Ind AS which are relevant to the Issuer. Consequently, there can be no assurance that these are the only differences in the accounting principles that could have a significant impact on the financial information included in this Offering Circular. Furthermore, the Issuer has made no attempt to identify or quantify the impact of these differences or any future differences between IFRS and Ind AS which may result from prospective changes in accounting standards. In making an investment decision, investors must rely upon their own examination of the Issuer's business, the terms of the offerings and the financial information included in this Offering Circular. Potential investors should consult with their own professional advisers for a more thorough understanding of the differences between IFRS and Ind AS and how those differences might affect the financial information included in this Offering Circular.*

Effective 1 April 2018, the Issuer has adopted Ind AS in accordance with Ind AS 101 (First-time Adoption of Indian Accounting Standards) with 1 April 2017 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 as amended ("IGAAP" – the previous generally accepted accounting principles).

Areas of Difference	IFRS	Ind AS
Primary Literature	IAS 1 — Presentation of Financial Statements	Ind AS 1 — Presentation of Financial Statements
Statement of profit or loss and other comprehensive income (statement of comprehensive income)	<p>The statement of profit or loss and other comprehensive income includes all items of income and expense — (i.e. all “owner” and “non-owner” changes in equity) including:</p> <p>(a) components of profit or loss; and</p> <p>(b) other comprehensive income. These items may be presented either:</p> <p>(a) in a single statement of profit or loss and other comprehensive income; or</p> <p>(b) in a separate statement of profit or loss and a statement profit or loss and other comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).</p>	<p>An entity is required to present all items of income and expense including components of other comprehensive income in a period in a single statement of profit and loss.</p> <p>Additionally, Ministry of Corporate Affairs has issued Schedule III for Companies required to comply with Ind AS which also provides guidance on presentation of financial statements. Specific format has been prescribed for NBFCs.</p>
Statement of changes in equity	<p>The statement of changes in equity includes the following information:</p> <ul style="list-style-type: none"> <li>• total comprehensive income for the period;</li> <li>• the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS8; and</li> <li>• for each component of equity, a reconciliation between the opening</li> </ul>	<p>Similar to IFRS.</p> <p>Additionally, Ministry of Corporate Affairs has issued Schedule III for Companies required to comply with Ind AS which also provides guidance on presentation of financial statements.</p>

<b>Areas of Difference</b>	<b>IFRS</b>	<b>Ind AS</b>
	and closing balances, separately disclosing each change.	
Extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited.	Similar to IFRS Additionally, the format of statement of profit and loss in Schedule III issued by MCA includes exceptional items.
Reclassification	When comparative amounts are reclassified, the nature, amount and reason for reclassification are disclosed.	Similar to IFRS
Critical judgments	Requires disclosure of critical judgments made by management in applying accounting policies. For example: estimating goodwill impairment, impairment of trade receivables, etc.	Similar to IFRS
Estimation uncertainty	Requires disclosure of key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.  The nature of the uncertainty and the carrying amounts of such assets and liabilities at the end of the reporting period are required to be disclosed. For example: estimating useful life of intangible assets, estimating defined benefit obligation, etc.	Similar to IFRS
Primary Literature	IAS 7 — Statement of Cash Flows	Ind AS 7 — Statement of Cash Flows
Bank Overdrafts	Included as cash and cash equivalents if they form an integral part of an entity's cash management.	Similar to IFRS
Interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	For Financial enterprises: Interest paid and interest and dividend received are to be classified as operating activities.  Dividend paid is to be classified as financing activity.  For other enterprises: Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities.
Primary Literature	IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors	Ind AS 8 — Accounting Policies, Changes in Accounting Estimates and Errors
Changes in accounting policies	Requires retrospective application of changes in accounting policies by adjusting the opening balance of each affected	Similar to IFRS

<u>Areas of Difference</u>	<u>IFRS</u>	<u>Ind AS</u>
	component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied, unless transitional provisions of an accounting standard require otherwise.	
Errors	Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening balance sheet.	Similar to IFRS
Primary Literature	IAS 10 — Events After the Reporting Period	Ind AS 10 — Events After the Reporting Period
Dividends	Liability for dividends declared to holders of equity instruments are recognised in the period when declared. It is a non-adjusting event.  An entity shall provide disclosure for each material non-adjusting event such as proposed dividends in notes to accounts.	Similar to IFRS
Primary Literature	IAS 12 — Income Taxes	Ind AS 12 — Income Taxes
Deferred income taxes	Deferred taxes are computed for temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.	Similar to IFRS
Recognition of deferred tax assets and Liabilities	Deferred income taxes are recognised for all temporary differences between accounting and tax base of assets and liabilities.	Similar to IFRS
Recognition of deferred tax assets for unused tax losses etc.	Deferred tax asset is recognised for carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Where an entity has a history of tax losses, the entity recognises a deferred tax asset only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.	Similar to IFRS
Investments in subsidiaries, branches, and associates and interests in joint arrangements	Deferred tax liability for all taxable temporary differences are recognised except to the extent:	Similar to IFRS

Areas of Difference	IFRS	Ind AS
	<ul style="list-style-type: none"> <li>the parent, the investor, the venturer or joint operator is able to control timing of the reversal of the temporary difference; and</li> <li>it is probable that the temporary difference will not reverse in the foreseeable future.</li> </ul>	
Primary Literature	IAS 16 — Property, Plant and Equipment	Ind AS 16 — Property, Plant and Equipment
Transfers from revaluation reserve	Transfers from revaluation reserve to retained earnings are made directly and not through profit or loss.	Similar to IFRS
Change in method of depreciation	Changes in depreciation method are considered as changes in accounting estimate and applied prospectively.	Similar to IFRS
Primary Literature	IAS 17 — Leases Appendix C to IAS 17 — Determining Whether an Arrangement Contains a Lease	Ind AS 116 — Leases Appendix C to Ind AS 116 — Determining Whether an Arrangement Contains a Lease
Interest in leasehold land	Recognised as operating lease or finance lease as per definition and classification criteria.	Similar to IFRS except that a property interest in an operating lease cannot be accounted for as investment property as the fair value model is not permissible by Ind AS 40.
Accounting by lessees	For operating leases, the lease payments should be recognised as an expense in the income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit.	Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless either: (a) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or (b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.
Primary literature Lease definition	IFRS 16 — Leases Lease definition	Ind AS – 116 Leases A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Accounting for operating leases in the books of lessee	The Lessee recognises Right of Use (ROU) asset and lease liability pursuant to operating lease. The unwinding of lease	Similar to IFRS



<u>Areas of Difference</u>	<u>IFRS</u>	<u>Ind AS</u>
	liability is recognised as an interest expense and the ROU asset is depreciated over the lease term.	
Measurement of lease liability and lease asset/ ROU asset	Cost of the ROU asset comprises of initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives, any initial direct costs incurred and estimated cost of dismantling.	Similar to IFRS
Determining whether an arrangement contains a lease	Arrangements that do not take the legal form of a lease but fulfilment of which is dependent on the use of specific assets and which convey the right to use the assets are accounted for as lease.	Similar to IFRS
Primary Literature	IAS 19 — Employee Benefits	Ind AS 19 — Employee Benefits
Short-term compensated Absences	Short-term employee benefits include paid annual leave and paid sick leave if it is expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services.	Similar to IFRS
Actuarial valuation	Detailed actuarial valuation to determine the present value of the net defined benefit liability (asset) is performed with sufficient regularity so that the amounts recognised in the financial statements do not differ materially from the amounts that would have been determined at the end of the reporting period. IAS 19 does not specify sufficient regularity.	Similar to IFRS
Actuarial gains and losses	Actuarial gains and losses representing changes in the present value of the defined benefit obligation resulting from experience adjustment and effects of changes in actuarial assumptions are recognised in other comprehensive income and not reclassified to profit or loss in a subsequent period.	Similar to IFRS
Discount rate	Post-employment benefit obligations (both funded and unfunded) are discounted using a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds denominated in that currency should be used.	Post-employment benefit obligations (both funded and unfunded) should be discounted using a discount rate determined by reference to market yields at the end of the reporting period on government bonds. However, subsidiaries, joint ventures, associates and branches domiciled outside India should use a rate determined by reference to market yields on high quality corporate bonds at the end of reporting period. In case such subsidiaries, joint

Areas of Difference	IFRS	Ind AS
		ventures, associates and branches are domiciled in countries where there is no deep market in such bonds, the market yields on government bonds of that country should be used.
Past service cost and curtailments	<p>Past service cost (includes curtailments) is recognised as an expense at the earlier of the following dates:</p> <ul style="list-style-type: none"> <li>• when the plan amendment or curtailment occurs; and</li> <li>• when the entity recognises related restructuring costs or termination benefits.</li> </ul>	Similar to IFRS
Primary literature	IFRS 15 – Revenue from contracts with customers	Ind AS – 115 Revenue from contracts with customers
Definition	An entity shall apply this Standard to all contracts with customers. A customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for consideration	Similar to IFRS
Out of scope	<p>An entity shall apply this Standard to all contracts with customers, except the following:</p> <ol style="list-style-type: none"> <li>1) Lease contracts within the scope of IAS 17 Leases;</li> <li>2) Insurance contracts within the scope of IFRS 4 Insurance Contracts;</li> <li>3) Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; and</li> <li>4) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.</li> </ol>	Similar to IFRS
Recognition and Measurement	<p>Under IFRS 15 a 5 step model is followed to recognise and measure contracts with customer.</p> <p>Step 1: Identify the contract with a customer</p> <p>Step 2: Identify the performance obligations in the contract</p> <p>Step 3: Determine the transaction price</p>	Similar to IFRS

<u>Areas of Difference</u>	<u>IFRS</u>	<u>Ind AS</u>
	<p>Step 4: Allocate the transaction price to the performance obligations in the contract</p> <p>Step 5: Recognize revenue when or as the entity satisfies a performance obligation.</p>	
Primary Literature	IAS 21 — The Effects of Changes in Foreign Exchange Rates	Ind AS 21 — The Effects of Changes in Foreign Exchange Rates
Functional and presentation Currency	<p>Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than the functional currency.</p> <p>Presentation currency is the currency in which the financial statements are presented.</p>	Similar to IFRS
Translation in the consolidated financial Statements	Assets and liabilities should be translated from functional currency to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at actual/average rates for the period; exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. These are reclassified from equity to profit or loss (as a reclassification adjustment) when the subsidiary/associate is sold.	Similar to IFRS
Forward exchange contracts	All forward contracts are accounted as derivative instruments. The guidance for accounting of derivative instruments is provided in IFRS 9.	Similar to IFRS
Change in functional currency	Change in functional currency is applied prospectively. The fact of change in functional currency and the reason for the change in functional currency should be disclosed.	<p>Similar to IFRS.</p> <p>Additionally, the date of change in functional currency is also required to be disclosed.</p>
Exemption on Long Term Foreign Currency Monetary Items	-	A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial for the period ending immediately before the beginning of the first Ind AS financial reporting period.
Primary Literature	IAS 24 — Related Party Disclosures	Ind AS 24 — Related Party Disclosures
Post-employment benefit plans	Related party includes post-employment benefit plans for the benefit of employees of the reporting entity or any entity that is related to the reporting entity.	Similar to IFRS

<b>Areas of Difference</b>	<b>IFRS</b>	<b>Ind AS</b>
Key management personnel	<p>Compensation of key management personnel is disclosed in total and separately for:</p> <p>(a) Short-term employee benefits;</p> <p>(b) Post-employment benefits;</p> <p>(c) Other long-term benefits;</p> <p>(d) Termination benefits; and</p> <p>(e) Share-based payments.</p>	Similar to IFRS
Items to be disclosed	If an entity has related party transactions during the period covered by the financial statements, the amount of such transactions and the amount of outstanding, balances, including commitments, need to be disclosed.	Similar to IFRS
Primary Literature	IAS 32 — Financial Instruments: Presentation	Ind AS 32 — Financial Instruments: Presentation
Classification of financial liabilities	Financial instruments are classified as a liability or equity according to the substance of the contractual arrangement, (and not its legal form), and the definition of financial liabilities and equity instruments.	Similar to IFRS
Offsetting	A financial asset and financial liability can only be offset if the entity currently has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.	Similar to IFRS
Primary Literature	IAS 36 — Impairment of Assets	Ind AS 36 — Impairment of Assets
Annual impairment test for goodwill and intangibles	Goodwill and intangible assets not yet available for use and indefinite life intangible assets are required to be tested for impairment at least on an annual basis or earlier if there is an impairment indication.	Similar to IFRS
Primary Literature	IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	Ind AS 37 — Provisions, Contingent Liabilities and Contingent Assets
Recognition of provisions	A provision is recognised only when a past event has created a legal or constructive	Similar to IFRS

<b>Areas of Difference</b>	<b>IFRS</b>	<b>Ind AS</b>
	obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably.	
Discounting	When the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.	Similar to IFRS
Primary Literature Measurement	IAS 38 — Intangible Assets Intangible assets can be measured at either cost or revalued amounts.	Ind AS 38 — Intangible Assets Similar to IFRS
Goodwill	Not amortised but subject to annual impairment test or more frequently whenever there is an impairment indication.	Similar to IFRS  However, in case where goodwill is created under an approved scheme of arrangement, accounting for goodwill would be governed by the scheme.
Primary Literature Definition and scope	IAS 40 — Investment Property Investment property is land or building (or part thereof) or both held (whether by owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both.	Ind AS 40 — Investment Property Similar to IFRS
Measurement	Investment property is measured initially at cost. Investment properties can subsequently be measured using the cost or the fair value model, with changes in fair value recognised in profit or loss.	Investment properties are measured using the cost model. Fair value model is not permitted. Detailed disclosures pertaining to fair value have to be given.
Primary Literature The pooling of interests and purchase method	IFRS 3 — Business Combinations All business combinations, other than those between entities under common control, are accounted for using the purchase method. An acquirer is identified for all business combinations, which is the entity that obtains control of the other combining entity.  There is no guidance for business combination between entities under common control. As a result, entities can account for such transactions using either book value or fair value method.	Ind AS 103 — Business Combinations Business combination transactions between entities under common control should be accounted for using the ‘pooling of interests’ method.  In case where the business combination transaction is through an approved scheme of arrangement, the accounting for the transaction prescribed in the scheme will apply.
Primary Literature	IFRS 8 — Operating Segments	Ind AS 108 — Operating Segments
Determination of segments	Operating segments are identified based on the financial information that is regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	Similar to IFRS

Areas of Difference	IFRS	Ind AS
Measurement	<p>Segment profit or loss is reported on the same measurement basis as that used by chief operating decision maker. Segment information is not required to be in conformity with accounting policies adopted for preparing financial statements.</p> <p>However, a reconciliation is required of segment performance measures reported with the corresponding amounts reported in financial statements.</p>	Similar to IFRS
Entity wide disclosures	<p>Disclosures are required of external revenue from each product or service, from customers in country of domicile and foreign countries and geographical information on non-current assets.</p> <p>Information on major customers is disclosed if revenue from each customer is 10% or more of total segment revenues.</p>	Similar to IFRS
Primary Literature	IFRS 9 — Financial Instruments	Ind AS 109 — Financial Instruments
Investments, deposits loans and advances	<p>All financial assets are classified as measured at amortised cost or measured at fair value.</p> <p>Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss, or recognised in other comprehensive income</p>	Similar to IFRS
Impairment	<p>The impairment model in IFRS 9 is based on expected credit losses.</p> <p>Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to:</p> <p>The 12 month expected credit losses; or</p> <p>Lifetime expected credit losses if credit risk has increased significantly since initial recognition of the financial instrument.</p>	Similar to IFRS
Primary Literature	IAS 27 — Separate Financial Statements	Ind AS 27 — Separate Financial Statements
	IFRS 10 – Consolidated Financial Statements	Ind AS 110 – Consolidated Financial Statements
	IFRS 12 – Disclosure of Interests in Other Entities	Ind AS 112 – Disclosure of Interests in Other Entities

Areas of Difference	IFRS	Ind AS
Definition of control	<p>Control is based on whether an investor has:</p> <ul style="list-style-type: none"> <li>(a) power over the investee;</li> <li>(b) exposure or rights to variable return from its involvement with the investee; and</li> <li>(c) the ability to use its power over the investee to affect the amounts of the returns.</li> </ul> <p>Control is based on substance of the transaction.</p>	Similar to IFRS
Exclusion of subsidiaries, associates and joint ventures	Consolidated financial statements include all subsidiaries and equity accounted associates and joint ventures. No exemption for “temporary control”, “different lines of business” or “subsidiary/associate/joint venture that operates under severe long-term funds transfer restrictions”	Similar to IFRS
Disclosure of nature and risk associated with interest in other entities	IFRS 12 requires disclosures for significant judgements and assumptions such as how control, joint control and significant influence has been determined along with detailed analysis.	Similar to IFRS
Primary Literature	IFRS7 – Financial Instruments: Disclosure	Ind AS 107 —Financial Instruments: Disclosure
Some improved disclosures	<p>Requires disclosure of information about the nature and extent of risks arising from financial instruments:</p> <ul style="list-style-type: none"> <li>• qualitative disclosures about exposures to each type of risk and how those risks are managed; and</li> <li>• quantitative disclosures about exposures to each type of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analysis).</li> </ul>	Similar to IFRS
Primary literature	IFRS 13 — Fair Value Measurement	Ind AS 113 — Fair Value Measurement
Definition	Fair Value is defined as the price that would be received to sell an asset or paid to	Similar to IFRS

<b>Areas of Difference</b>	<b>IFRS</b>	<b>Ind AS</b>
	<p data-bbox="512 230 932 322">transfer a liability in an orderly transaction between market participants at the measurement date.</p> <p data-bbox="512 369 932 461">Fair value measurement applies when another IFRS requires or permits fair value measurement or disclosures.</p>	



## GENERAL INFORMATION

### Authorisation

The establishment of the Programme was duly approved by resolutions of the Board dated 27 July 2016. The borrowing limits of Rs. 5,000,000 million have been duly authorised by a resolution passed by the equity shareholders of the Issuer at the 41st annual general meeting held on 30 July 2018. Each of the increase in aggregate nominal amount of the Programme from U.S.\$750,000,000 to U.S.\$1,300,000,000 was duly authorised by resolutions of the Board dated 4 May 2017. The increase in aggregate nominal amount of the Programme from U.S.\$1,300,000,000 to U.S.\$2,800,000,000 and the issuance of an additional amount of Rupee/foreign currency denominated bonds under the Programme of up to U.S.\$1,500,000,00 was duly authorised by resolutions of the Board dated 29 January 2018.

### No potential conflicts of interest

As at the date of this Offering Circular, there are no potential conflicts of interest between any duties owed to the Issuer by the Directors and the private interests and/or other duties owed by these individuals.

### Listing

Application has been made to the London Stock Exchange for the listing and quotation of Notes on the ISM that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be listed on the ISM. Notes so admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

### Clearing systems

The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### No significant change

Save as discussed under “*Risk Factors—The outbreak of Covid-19 has had, and may further have, a material adverse effect on the Group’s business, financial condition and results of operations*” and “*Description of the Group—Impact of Covid-19*”, there has been no significant change in the financial or trading position of the Issuer or the Group since 31 March 2021 (the date of the last published audited financial statements).

Save as discussed under “*Risk Factors—The outbreak of Covid-19 has had, and may further have, a material adverse effect on the Group’s business, financial condition and results of operations*” and “*Description of the Group— Impact of Covid-19*”, there has been no material adverse change in the prospects of the Issuer or the Group since 31 March 2021 (the date of the last published audited financial statements).

### Litigation

Save as disclosed in this Offering Circular under “*Description of the Issuer and the Group—Litigation*”, there are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of

which the Issuer or the Group is aware in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### **Accounts**

The Issuer's audited standalone and consolidated financial statements as at and for the years ended 31 March 2020 and 2021 were audited by B S R & Co. LLP of 5th Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai 400 011.

### **Documents Available**

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the specified office of the Principal Paying Agent in London:

- (a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Issuer;
- (b) the audited standalone financial statements as at and for the years ended 31 March 2020 and 2021 and the respective audit reports of the auditors thereon, the audited consolidated financial statements as at and for the years ended 31 March 2020 and 2021 and the respective auditors report of the auditors thereon;
- (c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (d) a copy of this Offering Circular;
- (e) any future prospectuses, offering circulars, information memoranda and supplements, including Pricing Supplements to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

An English translation of any of the documents referred to above will be a direct and accurate translation from the original but, in the event of any discrepancy, the original language version will prevail. Notwithstanding the foregoing, this Offering Circular and any supplements hereto will be in English, and if translated from another language, the English version will prevail.

In addition, this Offering Circular and each Pricing Supplement relating to Notes which are to be admitted to the ISM of the London Securities Market will also be available on the website of the London Stock Exchange.

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